

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the
Application of Willow Creek
for a General Rate Increase

Docket No. 13-2506-01

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HEARING  
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TAKEN AT: Heber M. Wells Building
160 East 300 South, Room 451
Salt Lake City, Utah 84111

DATE: Thursday, August 1, 2013

TIME: 9:00 a.m. to 11:39 a.m.

REPORTED BY: Michelle Mallonee, RPR

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APPEARANCES

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ADMINISTRATIVE LAW JUDGE

PUBLIC SERVICE COMMISSION

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CERTIFIED OPERATOR, WILLOW CREEK WATER COMPANY

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Hearing

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August 1, 2013

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PROCEEDINGS

4

THE COURT: Okay. We're on the record. And I'm Melanie Reif. And this is the hearing for the Willow Creek Water Company for the general rate increase. This is the hearing that has been duly noticed in Docket 13-2506-01.

8

And let's begin by taking appearances. And I should clarify that I am the administrative law judge for the Utah Public Service Commission. And I'll be conducting this hearing today.

10

11

12

MR. TAYLOR: I'm Steven Taylor. I am a board member of the Willow Creek Water Company.

13

14

MR. VEIBELL: I'm Alton Veibell. And I'm one of the owners on the water company.

15

16

MR. HANKS: My name is Kevin Hanks. I'm the certified operator for the system.

17

18

THE COURT: Thank you. Before we move to the Division, I just want to get some clarification.

19

20

So, Mr. Taylor, are you speaking as the spokesperson for the application?

21

22

MR. TAYLOR: Yes.

23

THE COURT: Okay.

24

And, Mr. Hanks, could you please remind me again what your position is.

25

1 MR. HANKS: I'm the certified operator for the
2 system.

3 THE COURT: Okay. And Mr. Taylor, are you an
4 attorney?

5 MR. TAYLOR: I am not.

6 THE COURT: Mr. Veibell, are you an attorney?

7 MR. VEIBELL: No.

8 THE COURT: Are you aware that you have the
9 ability, should you choose to, to have counsel represent you at
10 this hearing?

11 MR. VEIBELL: Yes, uh-huh.

12 THE COURT: Okay. And you will be proceeding
13 pro se, correct--meaning that you will be representing yourself?

14 MR. TAYLOR: Correct.

15 MR. VEIBELL: Yes.

16 THE COURT: Okay. Very good.

17 Ms. Schmid, we're ready for your appearance.

18 MS. SCHMID: Yes. Patricia E. Schmid with the
19 Attorney General's office representing the Division of Public
20 Utilities. And with me is Mr. Mark A. Long, also from the
21 Division.

22 THE COURT: Very good. Welcome, everyone,
23 again. Thank you for being here. And glad that you made it on
24 a difficult morning with traffic.

25 As you may recall, we were here some time ago.

1 And as a result, the Commission issued an interim order
2 granting interim rates that was issued on April 1. And so this
3 particular hearing is to address the general rate increase, which
4 will be on an ongoing basis.

5 And Mr. Taylor, I have looked at the application,
6 and I've also reviewed the testimony that's been filed from the
7 Division in this matter. Probably more pertinent was the
8 testimony that was filed in the surrebuttal testimony, sort of
9 wrapping everything together.

10 So since this is the Company's application, you
11 have the opportunity to go first. And in as much as you will be
12 testifying or Mr. Veibell will be testifying or Mr. Hanks will be
13 testifying, I'd like to swear you all in, if that would be okay.

14 MR. TAYLOR: That's fine. Okay.

15 THE COURT: And we can do it all at once. So if
16 you would kindly raise your right hand.

17 And do you swear the testimony you will be giving
18 today is the truth?

19 MR. TAYLOR: Yes.

20 MR. VEIBELL: Yes.

21 MR. HANKS: Yes.

22 THE COURT: Thank you very much. So I'm going
23 to turn the opportunity over to you, Mr. Taylor, to present your
24 application and any detail or justification that you would like to
25 get into as to what you are seeking and why.

1 STEVEN TAYLOR, having been first duly sworn,
2 testified as follows:

3 DIRECT TESTIMONY

4 MR. TAYLOR: Well, we've been down an
5 interesting road. Once Mark Long had a chance to review our
6 information, they came back with a proposed rate structure.
7 And that gave us a moment as a company to go back and really
8 look and make sure--and that rate structure, by the way, was
9 the--has that been entered into, Mark, the rate structure that
10 you--can I ask questions this way at all, or no?

11 THE COURT: Well, let me see if I understand what
12 you're--

13 MR. TAYLOR: The \$106 structure that they came
14 up with that had the rate of the--

15 THE COURT: Are you referring to Mr. Long's
16 surrebuttal?

17 MR. TAYLOR: Yes, surrebuttal.

18 THE COURT: His testimony was filed with the
19 Commission.

20 MR. TAYLOR: Right.

21 THE COURT: And if you have a copy of that, you
22 are welcome to reference it--

23 MR. TAYLOR: Okay.

24 THE COURT: --during your testimony.

25 MR. TAYLOR: That's what I want to make sure.

1 THE COURT: It might be helpful if you have a page
2 number just so that I can follow along with you.

3 MR. TAYLOR: That's fine.

4 MR. LONG: Page 12, Line 160 has the graph of all
5 the--or the chart of all the rates from beginning to end.

6 MR. TAYLOR: Hold on just one second. Sorry.

7 THE COURT: Sure.

8 MR. TAYLOR: We have a condensed book here.
9 But I just want to be sure I--

10 THE COURT: So for the record, Mr. Taylor--

11 MR. TAYLOR: Yes.

12 THE COURT: --I believe that what you are referring
13 to is the surrebuttal testimony filed by the Division. It's the
14 surrebuttal testimony of Mark Long. It was filed on July 19.

15 MR. TAYLOR: Right.

16 THE COURT: And the recommended, the final
17 recommended rates, which I believe you are referring to, are on
18 page 12.

19 MR. TAYLOR: Exactly. I wanted to be sure that--
20 yeah, on the docket that is before us, we looked at that. And
21 when the monthly fee came out--we are a non-profit company. I
22 wanted to be sure that we weren't being too aggressive in this
23 process. And so we reviewed all of our information that we had
24 submitted to be sure that there were no errors or overlaps, if
25 you will.

1 And the reason I mention that to you, we were in
2 the middle of a project where we were working with the State on
3 a new well. And so some of those costs would not be ongoing,
4 regular annual costs to the water company. And we had--and
5 those were reflected in the information that Mark had reviewed
6 eventually. So we went back and, as a group, we talked about
7 it. Kevin met with Mark. We all met together at one meeting,
8 and then we met with our rate committee. And we went over the
9 information and talked with them and re-submitted that
10 information to them prior to him--or just after he submitted his
11 testimony, which gave us the Division's final recommended
12 rates.

13 THE COURT: Okay. Mr. Taylor, if you don't mind
14 me interjecting--

15 MR. TAYLOR: Go ahead.

16 THE COURT: --while you're giving your explanation,
17 just so I'm following you correctly.

18 You mentioned the Company's monthly rates. Can
19 you help me understand what you mean by that with this
20 particular document that we're looking at--

21 MR. TAYLOR: Right.

22 THE COURT: --the page 12 of Mr. Long's
23 surrebuttal testimony?

24 MR. TAYLOR: Right. There are three columns
25 here. Right now is the currently-

1 approved--well, there was the approved tariff rate initially. Now
2 we're in the green column currently as a company. And this was
3 the--

4 THE COURT: By the way, mine is not a color copy.

5 MR. TAYLOR: Yours isn't color coded. Okay.

6 THE COURT: No.

7 MR. TAYLOR: The second column on page 12, as
8 you go across the page from left to right.

9 THE COURT: Okay.

10 MR. TAYLOR: The second column is the current
11 approved interim rate--

12 THE COURT: Yes.

13 MR. TAYLOR: --that we currently operate under.

14 THE COURT: So which rate are you referring to as
15 your monthly rate?

16 MR. TAYLOR: The actual fixed system fees of \$49
17 per month.

18 THE COURT: Okay.

19 MR. TAYLOR: And so what I was referring to, that--
20 -when Mark entered his information in, that changed from the
21 interim rate of \$49 to \$106 a month, just on the monthly fee.

22 THE COURT: But he's made a change to that since
23 then.

24 MR. TAYLOR: That's correct. And so then the
25 Division's final recommendation. We collaborated--and when I

1 say "collaborated," we spoke with the rate committee that
2 worked with the water company. We got input from the
3 operator. And we looked at the historical information as to what
4 we had done and made sure that our numbers were fully
5 accurate and reflective of annual expenses for the water
6 company.

7 And when we presented that information back and
8 Mr. Long placed that into his spreadsheet, it adjusted that rate,
9 what we felt was more appropriate for the situation.

10 THE COURT: Okay. Help me understand your rate
11 committee. Is that your water board?

12 MR. TAYLOR: There are four--no, it's not the
13 board itself.

14 THE COURT: Okay.

15 MR. TAYLOR: The rate committee is a group that
16 was assembled from owners within the community that have the
17 service. And they were to--they actually have been involved
18 with us since the beginning and have understood the process--
19 you know, as we submitted and we got our original interim rate,
20 they realized they've got an interim rate.

21 Now, some of the users thought that was the rate
22 change and that's what it was going to be from now on. But it
23 was just an interim rate.

24 THE COURT: Okay. Let's come back to the rate
25 committee.

1 MR. TAYLOR: Go ahead.

2 THE COURT: So if I'm understanding you correctly,
3 you got an interim rate. You started working with the Division
4 on assessing the situation of the Company and its needs. And
5 you assembled a four-member rate committee, consisting of
6 your customers, your water customers.

7 MR. TAYLOR: Right, water customers.

8 THE COURT: And you also sought the input of
9 your certified operator, Mr. Hanks.

10 MR. TAYLOR: Exactly.

11 THE COURT: And together, with the Division, you
12 determined that the final rates, which are on the very last
13 column of this page 12, are the rates that the Division
14 recommended and that the Company agrees with. Is that
15 correct?

16 MR. TAYLOR: That is correct. Now, there have
17 been a couple discussions since that time. And I only want to
18 put--I don't want to change the record, but I want to put this in.

19 We determined that there was a \$4.50 per thousand
20 charge. And in comparing that--in fact, there was a recent
21 document. In fact--Kevin, you've got a copy of it.

22 There was a recent document that compared us to
23 several water service areas or water service districts throughout
24 Utah that showed variations of how they utilize that \$4.50. You
25 know, some of them had a higher rate for more usage and so on

1 and so forth.

2 I don't know that that's a major issue. I think that it
3 lines up with--you know, I mean--I guess you could decide to do
4 it two or three different ways. The \$4.50, I think, has got a lot
5 of the customers clamoring, if you will. But I think it lines up
6 with us being more conservative as a company and
7 understanding, you know, the use of our water, so.

8 THE COURT: I'd like to talk to you about that for--

9 MR. TAYLOR: Go ahead.

10 THE COURT: --just a couple of minutes.

11 So help me understand the Willow Creek Water
12 Company. And in particular, what kind of community does
13 Willow Creek serve?

14 MR. TAYLOR: Okay. There was an existing group
15 that has been there for multiple years of about six or eight folks
16 that shared a well originally. Since that time, there has been
17 some development in the area. And there are 33 users
18 currently, and soon to be about 43 users. There's quite a bit of
19 new construction there.

20 THE COURT: And do you actually have contracts
21 on those additional--

22 MR. TAYLOR: They're under construction, yes.

23 THE COURT: So you have contracts to build?

24 MR. TAYLOR: Yes.

25 THE COURT: Okay. They're not just spec houses?

1 MR. TAYLOR: They're not spec houses. These are
2 owner-occupied dwellings. Many of them are complete. There's
3 only about four more that are in the initial, you know, start-up.
4 You know, they're just digging the basement, for instance.

5 THE COURT: Okay.

6 MR. TAYLOR: So there will be about 42 to 43
7 customers right now, as we talk. And then when you talk from a
8 speculative standpoint looking forward, there's quite a number
9 of individuals looking to come up there. So there may be
10 another four to six, you know, by year end.

11 THE COURT: Okay. And the community itself,
12 would you describe it as a rural community? Is it--what size lots
13 in general are there?

14 MR. TAYLOR: Half-acre lots to--there's a small
15 group of them that go over an acre. And the largest one is
16 about two-and-a-half acres.

17 There are some large five-acre lots that are
18 serviced on what we call the Spring Creek side of the
19 subdivision. It's a different subdivision altogether. But there are
20 five-acre lots in that area.

21 THE COURT: Okay. Do you represent the
22 company in selling the lots?

23 MR. TAYLOR: I'm actually the Golden Spike
24 Realty. I'm the realtor.

25 THE COURT: You're their realtor.

1 MR. TAYLOR: Right.

2 THE COURT: Okay. And again, you would
3 describe it as a rural community?

4 MR. TAYLOR: Uh-huh.

5 THE COURT: Okay. Are there farms on these
6 lots?

7 MR. TAYLOR: No, not at all. They're actually--
8 when the lots are sold, they know the quantity of water that they
9 receive for each lot. It's .9 of an acre foot. It's basically they
10 have the ability to utilize a quarter acre of irrigation for their
11 outside needs, gardens and any outside usage. And then they
12 have the .4, whatever, .49 I think it is, for culinary use for the
13 home.

14 THE COURT: Mr. Veibell, this question is directed
15 at you. Are you the owner/developer?

16 MR. VEIBELL: Yes. I'm the owner and developer
17 of the High Country Estates.

18 THE COURT: Okay. And you also own Willow
19 Creek Water Company. Is that correct?

20 MR. VEIBELL: Just 40 percent of it. And
21 Petersboro Partnership owns 60 percent.

22 THE COURT: Okay. But you're 100 percent the
23 developer?

24 MR. VEIBELL: Yes, uh-huh.

25 THE COURT: Okay.

1 MR. TAYLOR: Well, of his portion. There's other
2 areas. Like Petersboro has an area that they would be
3 developing.

4 THE COURT: And is that serviced by this water
5 company?

6 MR. TAYLOR: Yes.

7 MR. VEIBELL: Yes.

8 THE COURT: Okay. In part, what I was hoping to
9 get at is the issue of the 12,000 gallons. And this may be an
10 issue that the Division may want to address, too.

11 There has been more of a trend or a policy from a
12 water conservation standpoint to charge customers based on
13 use rather than just setting a certain amount and allowing that
14 to govern.

15 Has there been any discussion about charging
16 customers based on use?

17 MR. TAYLOR: That's--I think that's where we're
18 headed right now. Prior to this time, there has not. When I say
19 there has not, our rate has been a \$1 a 1000 or a \$1.50 a 1000.
20 And that's the usage side of it. They pretty much--sorry.

21 (Cell phone interruption.)

22 MR. TAYLOR: I forgot to turn this thing off. I was
23 making sure. There we are. There we go. There.

24 We were hoping that--or, as we were looking at the
25 rates themselves, we've always charged--our initial rate was \$38

1 and \$1000 after they got past their 293,000 gallons, okay. So
2 for the whole year, they paid \$38 a month. And they were not
3 charged any usage basically. So the Company was suffering
4 because it was developer-funded, basically. Any time a lot was
5 sold, Mr. Veibell made a contribution to the water company, and
6 that took care of the chlorine, the electrical expense, and so on
7 and so forth.

8 When the lots are all sold and Mr. Veibell is off
9 doing something else, there isn't going to be a structure to
10 support the company. I mean, once--at our current way of doing
11 business prior to this rate increase.

12 THE COURT: Mr. Taylor, do you have any numbers
13 on what an average residential user uses on a monthly basis?

14 MR. TAYLOR: Did we bring the --

15 MR. HANKS: I didn't bring that. But I can tell you
16 that the average right now through the summer months for those
17 with yards is running about 40,000 gallons, some of them as
18 high as almost a couple hundred. They just put in a new yard
19 and they're out of town. And the landscaper just left the water
20 running for forever. We got that stopped a couple days ago.
21 You're averaging about 40 to 50,000 gallons total usage.

22 MR. TAYLOR: Is that divided among all?

23 MR. HANKS: That's averaging out amongst all of
24 them, yeah.

25 The few with yards can be a little more, and those

1 without or smaller yards a little less. But then during the winter
2 months, we never approach the 12,000 allotted. They rarely get
3 above about--the bigger families about 6000. We don't have
4 enough history to know for sure.

5 But to stay within that 12,000 gallons, I found in my
6 other business that about 10,000 gallons for a good-sized family
7 for internal use is pretty consistent through the winter months.
8 And then the summer months depends on what their yard
9 requirements are and what they're willing to pay for.

10 THE COURT: Umm-hmm. Okay. Back to the list,
11 in particular the final recommended rates.

12 Could you go through each one of those and help
13 me understand what you determined was the basis for making
14 the--what is the basis for the change? For example, just going
15 line by line, starting with the standby fee.

16 MR. TAYLOR: Right. On the standby fee--and that
17 would only affect lots that have been sold to an end user that
18 have a water right, and significant infrastructure is in front of
19 their property. They would be--they would incur a standby fee
20 monthly until they actually built or placed a water meter on their
21 property so that we could read the water meter. That's what the
22 standby fee was.

23 There was no standby charge initially, as you can
24 see on our first approved tariff. We proposed one in the interim
25 rate to help offset costs that we have as a company.

1 And after Mr. Long was finished, he came up with a
2 \$51.30 standby fee. And the final recommendation is \$39.85 for
3 the standby fee. So that's--somebody comes in and buys a lot.
4 They own the water share. And they have the ability to have
5 service, but for some reason they delay their service for six
6 months or a year or whatever. They would pay that each month.

7 The second--

8 THE COURT: Before you go on. My understanding
9 is that Mr. Veibell, and perhaps other owners, have agreed to
10 pay standby fees for a total of, is it, five customers? Five
11 standby customers?

12 MR. TAYLOR: Well, there's five standby customers
13 currently. That's correct.

14 THE COURT: Okay. So help me understand what
15 the Company is--and maybe, Mr. Veibell, you should testify to
16 this, since this--my understanding is that the developer is going
17 to be subsidizing this particular fee.

18 MR. VEIBELL: Well, what I was doing is every time
19 I sold a lot, I'd put 5000 into the water company. And then it
20 was used up in order to make up for the revenue that we wasn't-
21 -or enough revenue in order to keep it going. And so we utilized
22 that when that should have been put in a separate account to be
23 used. If we ever needed another water storage tank, that
24 money would be there for that.

25 THE COURT: So you're no longer doing that

1 practice. And in as much as you're now covering standby fees,
2 help me understand what you're doing. Are you covering the
3 fee? Looks like Mr. Hanks has an answer to this.

4 MR. HANKS: I don't believe that he's covering the
5 standby fees. Now, the actual owners of those property now, of
6 the property that is sold, now pay that--whatever it is--now pay
7 that standby fee. That's what I put on their billings the last
8 month.

9 And then any property that is unsold, there is no
10 standby fee at the current time. It's just vacant property.

11 THE COURT: Okay. Maybe this will be clarified
12 further by the Division. What I'm getting to is on page 11 of Mr.
13 Long's surrebuttal testimony, it states that--beginning on Line
14 142, "In order to make the rates affordable and because of the
15 large increase originally recommended in the Division's direct
16 testimony of June 14, 2013, the developers have agreed to
17 personally subsidize the water company by paying the standby
18 fees based on more customers than it currently has. The
19 Division recommends that the developers be allow to subsidize
20 the water company to the extent discussed above because it is
21 for a said amount"--and then it gives the amount of \$39.85--
22 "based on the number of customers"--

23 MR. TAYLOR: --"less than 48."

24 THE COURT: --"less than 48"--which I believe is
25 five, correct?

1 MR. TAYLOR: Umm-hmm.

2 THE COURT: And it is for the anticipated short
3 period of time.

4 So is that--Mr. Veibell, is that a correct statement,
5 based on your understanding of what the Company has
6 obligated itself to do?

7 MR. VEIBELL: Yes, uh-huh.

8 MR. TAYLOR: In fact, let me clarify it a little bit.
9 We're getting some fives mixed up for a minute. There are five
10 standby customers. That's not the same as these five standby
11 customers.

12 THE COURT: Okay.

13 MR. TAYLOR: Okay. What we were doing--when
14 we started this rate case initially, there were 33 users. And we
15 knew that by looking at all the numbers as far as number of
16 users and so on, that we were going to have a higher rate than
17 we have now--you know, than we initially had. And so we asked
18 Mr. Long to project, based on the activity that was occurring up
19 there on the
20 hillside--was it 43? I think it was 43.

21 MR. LONG: I believe it was.

22 MR. TAYLOR: Forty-three users, even though we
23 only had 33. So he did his work around 43. Well, lo and
24 behold, today, we actually have 43 users on the hillside. So
25 we've grown by that ten new customers. And we see ourselves

1 potentially within the next year growing by ten more.

2 What I feared, and what a lot of customers fear, is
3 that we set a rate that's extraordinarily higher than it needs to
4 be and it stays in place for a longer period than it needs to be.
5 And we would be unduly burdening those clients with the
6 additional costs that we shouldn't. So that's why we kind of took
7 that approach.

8 In our discussions with Mr. Long in adjusting the
9 rate, as you see on 12, back to the \$71.80 in the last column to
10 the right and the \$4.50, the Commission was concerned that--
11 when I say the Commission--Mark Long was concerned that we
12 might be cutting ourselves short and not be providing enough
13 revenue to cover the needed items that we would need. And so
14 he said that in order to do that, we, as owners, would need to
15 say that we would guarantee that if there weren't 48 clients that
16 are paying for that rate, that we would offset that. And we have
17 offset that all this time.

18 And so in talking to Mr. Veibell, and that, we would
19 be willing to do that offset. We don't think that's going to be a
20 problem. We're probably going to be up higher than 48 by the
21 end of the year, anyways. But we would make that agreement
22 to do that.

23 THE COURT: Okay.

24 MR. TAYLOR: Did that answer that a little clearer?

25 THE COURT: Thank you, Mr. Taylor. Let's

1 continue to move through the items on the list to give the
2 Commission an understanding of where you're coming from and
3 making the adjustments.

4 So unless there's something more that you want to
5 add with respect to the \$71.80 for the fixed system or the \$4.50
6 for the usage per 1000, I believe you've already addressed
7 those.

8 MR. TAYLOR: We have.

9 THE COURT: If you could continue on with the
10 connection fee, which per the interim tariff has been set at 5000
11 but has been suggested to be lowered to 2000. If you would
12 address, please.

13 MR. TAYLOR: Right. Historically, we've always
14 charged a \$5000 connection fee. And that's where the revenue
15 came from to run the water company. That 5000 was
16 transferred directly into the water company at every closing.

17 As we went through and looked at this, once again,
18 moving from a developer-funded water company, Mark Long had
19 said we really ought to be taking our funds as a developer and
20 placing them in our separate reserve, not the reserve for the
21 water company. So that when we have an infrastructure that
22 needs to be--for instance, if we get to 100 folks up on the
23 hillside and we need to add a 250,000-gallon tank, Mr. Veibell
24 will have a 40 percent responsibility in building that tank. It's
25 not paid for by the water company or the owners up there. They

1 have no responsibility for that. So he would pay for that. So the
2 money that he was injecting into the water company and running
3 the water company with is going to go into a separate reserve
4 account that will pay for future infrastructure needs of the water
5 company due to growth.

6 THE COURT: This \$2000?

7 MR. TAYLOR: No, not this \$2000. The separate
8 \$5000. Not to confuse you, that was the initial \$5000 he was
9 putting in. So we have to get--when we initially proposed this,
10 we just thought, "Well, we still need the \$5000 connection fee
11 because that's what we've always done."

12 As Mark went through the information and
13 developed his spreadsheets, he identified that that connection
14 fee didn't need to be as high. We went out and talked to
15 contractors about what the actual--we got bids from various
16 contractors on what the actual price was to install a one-inch
17 connection for a new lot and what the cost to the--the water
18 company would incur in that case. And so that's what the new
19 connection fee is, is just the placement or connection of their
20 meter on a new lot by a contractor.

21 THE COURT: Okay.

22 MR. TAYLOR: To give you just one little caveat to
23 give you a little historical piece. That's been what Alton's been
24 doing anyways at no charge to the water company. He would
25 drive out there with his backhoe. He would dig the hole. He

1 would mount the meter. He'd put everything together. And he
2 would not bill the company. He would do that work.

3 Well, Mr. Veibell is not going to be here for an
4 eternity and be able to do that on his own and do it all by
5 himself. So to come into the real world, we had to evaluate
6 what it would really cost us with a contractor showing up on
7 scene doing that work and the cost of doing it. And that's what
8 that reflects.

9 THE COURT: Okay. Thank you, Mr. Taylor.

10 So if I decide that I want to purchase a lot in this
11 development, based on what you've just testified, I'm going to
12 pay \$5000 into some fund, is that correct, in addition to the
13 \$2000 connection fee?

14 MR. TAYLOR: No. The lot is sold for \$45,000.
15 \$5000 of the price of the lot goes into the water company, right-
16 -currently, right now. But what we--what will happen on the new
17 basis is the lot will sell, okay. And then, yes, it--let me give you
18 a different scenario really quickly.

19 In this part of the county, just away from our water
20 company--

21 THE COURT: No, I want to know what happens in
22 your--

23 MR. TAYLOR: Okay. That's what I was going to
24 give you the comparison do.

25 THE COURT: --community. I don't want a

1 comparison. I want to know what happens in your community
2 when somebody buys a lot.

3 MR. TAYLOR: Okay. When they buy a lot--
4 currently, not with the proposed rate--when they buy a lot,
5 \$5000 of those funds are deposited into the water company,
6 okay. And that's what's been running the water company. On
7 every single one of the lots of the 43 lots that have been
8 purchased, \$5000 has gone into the water company. Okay.
9 And those were the funds to run the water company.

10 And then when the contractor does the connection
11 to the water company--we would need to move down the page a
12 little bit--there was \$150 turn-on fee to turn it on currently, is
13 what there was. Now, the interim fee was changed to \$900, but
14 currently, it was \$150.

15 THE COURT: Okay. So back to my original
16 question--

17 MR. TAYLOR: Go ahead.

18 THE COURT: --which is let's assume that these
19 rates that are recommended by the Division are approved by the
20 Commission. That \$5000 will no longer go into the account that
21 you refer to, right? It will be the \$2000 that goes into an
22 account to help pay for major improvements, should you need
23 them down the road?

24 MR. TAYLOR: Exactly.

25 THE COURT: So the \$5000 is no longer a part of

1 the equation?

2 MR. TAYLOR: No. It is not.

3 THE COURT: Okay.

4 Mr. Veibell, is that your understanding of this
5 agreement?

6 MR. VEIBELL: Yes. Now, that \$5000, I'll continue
7 putting that in, but it won't go into the water company. It goes
8 into a special fund in case we have to build a water storage
9 tank. Then that 40 percent that I have to pay for it, well, then
10 we'll use that money for that. But it's not used to operate the
11 water company at all. It will be that \$2000.

12 MR. TAYLOR: As an owner of the water company,
13 he still has a liability to any improvements that are not water--
14 you know, actually borne by the ratepayers that are
15 development oriented.

16 THE COURT: Okay. I think we may be talking
17 about two different things here. Mr. Veibell, I think, is talking
18 about something that he does as a matter of course when he
19 sells a property.

20 MR. TAYLOR: Correct.

21 THE COURT: And then there's the issue of what
22 the customer pays as a result of a sale and getting a
23 connection.

24 MR. TAYLOR: Correct.

25 THE COURT: Right now, it sounds like the

1 connection fee is coming directly from the sale of the property.
2 Is that a correct ...?

3 MR. TAYLOR: It's loaded on top of the sale of the
4 property, yes. "Load" meaning the value of the property is a
5 \$40,000 lot. We placed a \$5000 amount on top of it that they
6 cover each time they purchase a lot. Now--

7 THE COURT: Will that still be there if these rates
8 are approved?

9 MR. TAYLOR: No. The lots will be marketed at
10 market value, whatever that is. It goes down and up all the time
11 because we change it. So it will go to market value, and they'll
12 be marketed at market value.

13 THE COURT: Okay. So a customer is going to pay
14 \$2000 as a connection fee. And that \$2000, if I'm
15 understanding you correctly, is not going--does that go into a
16 different account, or ...?

17 MR. TAYLOR: It goes into the water company
18 directly.

19 THE COURT: Okay.

20 MR. TAYLOR: The different account Mr. Veibell is
21 referring to is he's on a fixed income, about \$900 a month. He
22 doesn't want to be caught in a situation as 40 percent owner of
23 the company of not having funds available when he has a
24 requirement to pay that from a development side. And so he's
25 setting up a special account that will fund those types of

1 situations down the road that he will contribute to on his own
2 out of his proceeds.

3 THE COURT: Okay. And that has nothing to do
4 with anything that's pending before the Commission?

5 MR. TAYLOR: Exactly.

6 THE COURT: This is just his--this is just his
7 economic--

8 MR. TAYLOR: Yes.

9 THE COURT: --structure for building his company's
10 future?

11 MR. TAYLOR: Exactly.

12 THE COURT: Okay. Very good. Okay.

13 So help me understand--now we'll move down to
14 the connection fee, the one-inch, which we just covered, and
15 then the two-inch--is that for commercial customers?

16 MR. TAYLOR: Commercial customers, yes.

17 THE COURT: Okay. And the one inch --

18 MR. TAYLOR: It's actually for the size of the pipe.
19 The one-inch and then a two-inch.

20 THE COURT: Okay. And would that be,
21 presumably, one-inch would be residential and two-inch would
22 be commercial?

23 MR. TAYLOR: Most likely. We probably won't have
24 but maybe one of those two-inch individuals. But the cost is--as
25 we got with the contractor and talked to him, the cost is--I

1 mean, the size of the saddle and the work that they have to do.
2 It's a significant difference.

3 THE COURT: Okay. So there's a proposed
4 reduction by \$1000. Can you help the Commission understand
5 what occurred since the interim rate was set that would justify
6 that?

7 MR. TAYLOR: Well, I'm going to give you the
8 simple explanation.

9 THE COURT: Okay.

10 MR. TAYLOR: We always contributed \$5000. And
11 that \$5000 went in as funds for the water company. And there
12 were many times where the water company would go along--if
13 we didn't have lot sales, we were actually going to the bank and
14 saying, "Can we borrow some money so we can run the water
15 company?" You know, so on and so forth. You know, it was a
16 number that we set initially. We thought it was right and so on.

17 As we've grown into this mode of understanding a
18 little bit more and more fine tuning, you know, our expenses and
19 what our chlorine costs and what are electrical costs are, and as
20 the population has grown and those numbers have gone up, the
21 \$5000 was really a developer-developed figure in the beginning.
22 And we carried it across into this new rate case, thinking that
23 was appropriate.

24 As Mark did the analysis on his spreadsheets, he
25 said--and it's the same one line below. Where the turn-on meter

1 fee was \$900, we thought that was going to be appropriate.

2 THE COURT: Let's just take one at a time.

3 MR. TAYLOR: Okay. But I'm just saying, it just
4 turned out not to be accurate.

5 THE COURT: Okay.

6 MR. TAYLOR: And so we had to go get accurate
7 numbers. We talked to a couple of different contractors to get
8 those numbers and to make sure that we weren't just getting
9 one contractor's opinion. And that's where we came up with
10 those final numbers.

11 So I would just have to say the beginning was--we
12 kind of went on historically what we'd already done. And that's
13 just the real statement, I guess.

14 THE COURT: Okay. Thank you for your
15 candidness. I appreciate that.

16 MR. TAYLOR: Okay.

17 THE COURT: Okay. So--and then the next one,
18 which is the last of any change from the interim rate, is the
19 turn-on fee.

20 MR. TAYLOR: Yeah.

21 THE COURT: Did you do something similar there?

22 MR. TAYLOR: Yeah. And let me tell you how that
23 came about. So we have the 5000 in there in the interim. And
24 we--as we discussed this internally with our rate board and
25 everyone, we talked about the fact that Alton was doing this free

1 gratis. He was going out and actually doing the work, but not
2 actually presenting a bill to the Company.

3 THE COURT: You're referring to the turn-on fee?

4 MR. TAYLOR: Uh-huh, to the turn-on fee. And he
5 was doing the work.

6 The turn-on fee on requires a lot of different
7 activities sometimes. A new house gets built. They decided to
8 put the driveway right where the saddle had been placed on the
9 pipe. And all of a sudden, it required us, as a water company,
10 coming out and raising it up or doing some adjustments. And
11 there was a considerable amount of work that was taking place
12 that wasn't being compensated for back to the water company.
13 And all along, even though Alton was doing the work, I kept
14 saying to the Board and everyone, "He can only do it free for so
15 long. Eventually, you're going to have to pay somebody to do it.
16 So we need to be in line to be able to make those adjustments."
17 So we felt that was \$900.

18 Once we did the connection fee adjustment
19 appropriately and came to the determination, it negated the
20 necessity for a \$900 turn-on fee, which we brought back to
21 \$150--on the final column over here to the right.

22 THE COURT: Okay.

23 MR. TAYLOR: And that was through, you know,
24 some good questioning from Mark Long, who asked us, "Well
25 wait a minute. If you're charging this here, why are you

1 charging this here?"

2 You know, we went through and we looked at it.

3 And he was spot on. And we made those adjustments.

4 THE COURT: Okay. The rest of the list, as I look
5 through it--and tell me if you have a different interpretation--but
6 it appears to me that the turn-off fee, the transfer of ownership,
7 the unwarranted service call, the fire hydrant deposit, and the
8 late fee all remain the same from the amounts that were
9 approved in the interim rate order. Is that your understanding
10 Mr. Taylor?

11 MR. TAYLOR: That's correct, yes.

12 THE COURT: And did you make a similar
13 determination that, after speaking with the Division and having
14 the Division do its analysis, that those amounts were
15 appropriate to remain the same?

16 MR. TAYLOR: Yes. And I will say one--with one
17 exception. And as I say this, it's just back to my--our whole
18 approach. We're still a very young water company. And as we
19 go forward--and I don't mean to cast any concern here. As we
20 go forward, I think we're going to evaluate and understand some
21 things that we don't understand now as a water company.

22 Basically, the rates we've come to are pretty, I
23 think, pretty spot on as far as our expenses and that. I think
24 we've got rid of anything that was an anomaly or something that
25 was out of the ordinary. So I feel that where we are right now is

1 a good position.

2 The only one point of discussion--and you can look
3 at it seven different ways--is the \$4.50. But I think that's a good
4 conservation measure for us. You know, when you take a
5 homeowner, who has 293,000 gallons and if you divide that by
6 12 months, for instance, they have the ability to utilize an
7 amount of water. I think the 4.50 just puts an exclamation point
8 there, if you will, to say, "Okay, do I really need to use this
9 much water?"

10 I walked out my front door the other day, and my
11 sprinklers had puddles of water all over the place. And I
12 thought to myself, "Maybe I need to turn my sprinklers down two
13 minutes or three minutes and adjust the amount of usage that
14 I'm personally using." Because, you know, during the summer
15 months, I pay a thousand--so much per thousand at the city that
16 I live in. And so I honestly believe that the structure that's in
17 place that has been recommended will cause us to give some
18 thought to our usage and put some conservation into the
19 process.

20 THE COURT: And taking that a step further--and I
21 just--I want to throw this out there for possible thought, based
22 on what I know to be concerns and policies that the State has
23 mentioned with respect to water conservation. And you,
24 yourself, just identified a place where you're receiving water and
25 you pay per 1000 gallons. Is that--it just seems to me that

1 setting up a system, where you start with a basis of 12,000
2 gallons from the very start, that that doesn't set a concern in
3 users' minds that conservation is something that would be their
4 first thought. And it may be their second thought after they
5 reach 12,000--

6 MR. TAYLOR: Yeah.

7 THE COURT: --if, in fact, what you're talking about
8 with the \$4.50. Is that anything that the Company has thought
9 about, of arranging the rate system to reflect a per-gallon usage
10 rather than having it be 12,000 and then, you know, having that
11 as the starting point?

12 MR. TAYLOR: I think we have. Just a point of
13 clarification. I get 10,000 gallons where I live, and then I pay
14 per thousand after that. My water bill runs a size \$150 to \$160
15 a month during the summer because I have a third of an acre of
16 a lot of green grass now. I think the 12,000 is a fair starting
17 point. And I really do think the \$4.50 will encourage--and the
18 reason I'm saying that, I know there's a lot of folks up there that
19 are, I would say, concerned about the rate increasing to the
20 point that it's proposed at this time. And they've done the math.
21 They've sat there and said, "Well, if my bill was \$71 this month
22 and I went over by this much, you know, I'm going to have this
23 much of a water bill." And so I think they're keenly aware of it.

24 I think it's good to have this type of a rate structure
25 in place. Because when people build a new house, they then

1 will look at some conservation.

2 MR. VEIBELL: There's an example there.

3 MR. TAYLOR: Yeah. Chris Fricke gave an
4 example because he went over 84,000 gallons.

5 THE COURT: Who are you referring to?

6 MR. TAYLOR: Chris Fricke, who--I'm sorry. Natalie
7 Erickson.

8 THE COURT: Is that a customer?

9 MR. TAYLOR: It's a customer up in the Willow
10 Creek. She wrote a small e-mail to us this morning--or
11 yesterday.

12 And she said, "At the proposed rate, it would cost
13 us \$449.80 to--on a month." Now, you have to be able to look
14 and understand what's happening there. They have an acre lot.
15 They decided to plant a lot of grass, and so on and so forth.

16 When a lot of the customers call us up, we tell each
17 one of them when they purchase a lot, "You have .25 acres of
18 irrigation capability. So you can do a quarter acre of lawn or
19 garden, or whatever you are going to utilize that water for. And
20 you have this and this and this."

21 I think some of them don't try to live that means,
22 sometimes, as we all do in our lives. And they get a little bigger
23 and water a little more. And I think it's--with our original rate of
24 \$38 with no overage until after they use the whole 293,000, the
25 Company was incurring a lot of costs, you know. And they

1 weren't able to cover that. It was being covered by the
2 developer.

3 THE COURT: Okay. Mr. Taylor, I'd like to ask Mr.
4 Veibell a couple of questions, please.

5 ALTON VEIBELL, having been first duly sworn,
6 testified as follows:

7 DIRECT TESTIMONY

8 THE COURT: Mr. Veibell, when the Commission
9 issued its scheduling order and notices of hearings in this
10 matter, that document, if you need to reference it, was issued by
11 the Commission on March 13, 2013.

12 In the scheduling order, just above the notice of
13 interim rate increase, it states that, "No later than Company's
14 June 2013 and July 2013 billing cycles, Company is instructed
15 to provide notice to its customers of the general rate increase
16 noted above."

17 Have you provided notice to your customers in
18 accordance with this?

19 MR. VEIBELL: Yes, we sent that out. And we did
20 put it in with the regular bill. And some of them, they didn't
21 even look at that other thing. All they did was look at their bill.
22 And then they take and mentioned something to me. And I said,
23 "Well, it was in that bill. You should have got it." Then I've had
24 to give them another one because they threw it away. They
25 figured that was just junk, but.

1 THE COURT: Okay. So you did in June and in July
2 send notice to all of your customers?

3 MR. HANKS: Not July. June.

4 MR. VEIBELL: June, not July. And in July, on this
5 here last one, I just give that just to the four rate board
6 members.

7 MR. TAYLOR: Notifying them of the new final rate.

8 THE COURT: Okay.

9 MR. HANKS: Point of clarification.

10 THE COURT: Yes.

11 MR. HANKS: The June--it was the May billing
12 cycle. It was the June bill that was sent out that that went out
13 in. The July bill, which was for the June billing cycle, did not
14 contain that. Just so you know.

15 MR. TAYLOR: But you need to back up. The
16 question she's asking is the earlier notification. We did notify
17 them.

18 MR. HANKS: Yes. It was notified. But it was for
19 May's bill. But the bill actually goes out in June.

20 MR. TAYLOR: No, that's not correct. That is
21 correct about what--

22 MR. HANKS: It did go out in--

23 MR. TAYLOR: That's what correct what you did in
24 the billing.

25 We did a full-on notification to every address and

1 every owner in a separate envelope and to every e-mail about
2 what you questioned.

3 THE COURT: Okay. So let's back up entirely.

4 MR. TAYLOR: Go ahead.

5 THE COURT: And let me read this to you one more
6 time. This requests of the applicant that, "No later than
7 Company's June 2013 and July 2013 billing cycles, Company is
8 instructed to provide notice to its customers of the general rate
9 increase hearing noted above." And what I'm--

10 MR. VEIBELL: Now, we sent them out. But this
11 here last one, we just sent that just to the rate board members.
12 And that was it on this--

13 MR. TAYLOR: You're talking just recently, Alton.
14 You did that just recently to inform the rate board members what
15 was going on.

16 MR. VEIBELL: Yeah, on this --

17 MR. TAYLOR: We did send the Division's rate
18 findings to all the customers, yes, in that billing cycle.

19 THE COURT: Okay. But that's a different
20 question.

21 MR. TAYLOR: Right.

22 THE COURT: Okay. This particular notice says
23 that you are to send no later than June 2013 and July 2013
24 billing cycles notice of this hearing. Did you do that?

25 MR. HANKS: Yes.

1 MR. VEIBELL: Yes, we did.

2 MR. HANKS: That's been done, yes. This is the
3 copy that came out. This is what came to me.

4 THE COURT: And that was in your which billing
5 cycle?

6 MR. HANKS: I'm not on a billing cycle. That was
7 just given to me. But this is what went out.

8 I guess the clarification I'm requesting is the billing
9 cycle; in other words, the July billing cycle ended yesterday.

10 MR. TAYLOR: It would have just gone out.

11 MR. HANKS: I haven't done the meter reading for
12 July, nor have I sent out the bills for the billing cycle in July. So
13 it would have been impossible in that July billing cycle, as I
14 understand the question, to send out a billing because it hasn't
15 even gone out yet. Just ended yesterday.

16 But in the June billing cycle, which--and the May,
17 the one before that, yes, there was notification.

18 MR. TAYLOR: Two of them, May and June.

19 MR. VEIBELL: That one there was sent out. It
20 wasn't sent out with the bill, it was sent out separately.

21 THE COURT: Okay. So in the May--gentlemen,
22 please.

23 MR. TAYLOR: Sorry.

24 THE COURT: In the May and the June billing
25 cycles, what information was contained? And I'm confused as to

1 why you're looking at that document when you said that was
2 sent separately.

3 MR. HANKS: That was sent to the customers.

4 MR. VEIBELL: Yeah. This was sent to the
5 customers first. And it was on that first meeting that we had--
6 let's see, what date was that?

7 MR. TAYLOR: March 31.

8 MR. VEIBELL: March 31, that was sent out. And
9 then it shows all these here--well, remember, when we met
10 together with you and we set up all these here dates, well, right
11 after that, we sent them a copy of this here.

12 THE COURT: Sent them a copy of what?

13 MR. TAYLOR: The dates.

14 MR. VEIBELL: The dates that we set up at that
15 meeting.

16 MR. TAYLOR: But this is what we did initially. He's
17 confusing that with sending the rates out in the bill. This was
18 sent out as notification to all customers.

19 MR. VEIBELL: That's right.

20 THE COURT: Okay. May I see--would you be
21 willing to provide a copy of what you sent to your customers?
22 Do you have a copy of the notice?

23 MR. TAYLOR: Do you have a copy of what we
24 sent, the rate--

25 MR. HANKS: Just use a copy machine and just

1 copy that.

2 MR. VEIBELL: Well, this copy here--

3 MR. TAYLOR: Well, this doesn't have the rates on
4 it. We were just saying--

5 THE COURT: Well, let me clarify. What I'm
6 looking for right now is something that would show that no later
7 than Company's June 2013 and July 2013 billing cycles--no later
8 could mean you did it before then, that's not an issue--that you
9 were instructed to provide notice to customers of the general
10 rate increase hearing noted above. So meaning: Did you
11 provide notice to your customers of this hearing that we're
12 being--that's being held right now?

13 MR. HANKS: This was given to the customers. And
14 it says on there, "General rate increase hearing Thursday,
15 August 1, 9 a.m." and gives the complete address. That was
16 given to them back in May. It also says, "Public Witness
17 Hearing coming up this same day at 12 a.m. (sic)."

18 THE COURT: Okay. So you sent that in May. And
19 then did you re-send it in June?

20 MR. TAYLOR: Did it go out in June?

21 MR. VEIBELL: No. We sent one--when the rate
22 was changed to \$49, that was the first one we sent out.

23 MR. HANKS: They're just asking--they're not
24 asking you for the rates. They just want the dates of when we
25 did the hearing.

1 Did you send that with those same dates? I didn't
2 do June billings, so I don't know.

3 MR. TAYLOR: We did it in May.

4 Did you send it in June, the same thing?

5 MR. VEIBELL: I don't know. This here first one,
6 we sent out separate. And then the others was with the billing.

7 MR. TAYLOR: No, not this. The dates. Did you
8 send that to them in June?

9 MR. HANKS: That tells when the hearing is. Did
10 you notify all the customers, other than the May time, that all of
11 these meetings were taking place? This is the meeting we're in
12 right now. And we gave this copy to them.

13 Did you send it in a billing also, besides that May
14 ...

15 MR. VEIBELL: Gosh. I'd have to go back and see.
16 But I think it was June when I sent that out with the--

17 MR. HANKS: --with the billings?

18 MR. VEIBELL: Umm-hmm.

19 MR. HANKS: Okay.

20 THE COURT: Mr. Veibell, let's try to keep the
21 questions and answers going back and forth from me to you or--

22 MR. VEIBELL: Okay.

23 THE COURT: --to whomever is responding.

24 Do you have the ability to make a phone call? Do
25 you have an accountant? Do you have office staff who helps

1 you with this sort of thing that could help you determine this
2 answer?

3 MR. VEIBELL: I have been sending all of the bills
4 out until now Kevin is sending them out.

5 THE COURT: And did you send them in June?

6 MR. VEIBELL: Yes, I sent them in June.

7 THE COURT: And do you recall sending a similar
8 notice that you've referred to already as being sent out in May
9 that would have had the notice of hearing?

10 MR. VEIBELL: When I sent them out, I sent these
11 here copies--

12 THE COURT: Mr. Veibell, my question is: In June,
13 do you recall sending a copy of the document with the date of
14 the hearings on it, this general rate hearing and the public
15 witness hearing?

16 MR. TAYLOR: The same one you sent out.

17 MR. VEIBELL: Yes. Yes. I sent that out, along
18 with the statement.

19 THE COURT: And you did so in May?

20 MR. VEIBELL: Yes. In May, uh-huh.

21 THE COURT: And you did so--did you do so in
22 June?

23 MR. VEIBELL: In June, uh-huh. We had those two
24 months.

25 THE COURT: Okay. You're absolutely certain

1 about that?

2 MR. VEIBELL: Uh-huh.

3 THE COURT: Okay. You also mentioned that you
4 may have sent something to your customers as a result of the
5 Division giving its final recommendation.

6 MR. VEIBELL: Yes. And I just sent those just to
7 the rate board members.

8 THE COURT: Those four individuals?

9 MR. VEIBELL: Uh-huh. And that was where on this
10 here--where we dropped it from \$106.30 down to \$71.80.

11 THE COURT: Okay. So do they have a copy of
12 this entire page from Mr. Long's surrebuttal?

13 MR. VEIBELL: Yes, uh-huh.

14 THE COURT: Okay. And just curious. Is there a
15 reason why you didn't send it to the entire customer base?

16 MR. VEIBELL: Well, Steve and I kind of talked it
17 over. And he says, "I think we only need to send it to the rate
18 board members." Maybe that was a mistake.

19 THE COURT: Well, there wasn't a requirement
20 stated. But it affects your entire rate base, so I would
21 anticipate--I mean, were you thinking that the rate committee
22 was going to weigh in on it? Or--is that why you sent it to them?
23 Or had you already agreed at that point that those were the
24 rates that you were--

25 MR. TAYLOR: We had had--to back up a little bit,

1 we had had a meeting with them with Mark Long. And after our
2 meeting with Mark Long, we went through and talked about
3 several concerns that they had. Those concerns I re-addressed
4 with Mark Long at a later date. And so when we addressed that,
5 I think he provided it to them as just showing that based on what
6 they had talked about on the rate board and we had talked
7 about with Mark Long, that it had changed the Division's final
8 recommendations. And so he shared that with the board. Now,
9 they talked pretty aggressively out there.

10 THE COURT: Are you at these meetings, sir?

11 MR. TAYLOR: Yes, I am.

12 THE COURT: At the board meetings?

13 MR. TAYLOR: Uh-huh. Yes. And so Alton is right.
14 I said to him--he called me one day. He said, "Well, we got this
15 final rate. What should I do?"

16 I said, "Well, at a minimum, get it out to the rate
17 board so the rate board knows what it is so they can talk about
18 it." We did not do a full mailing. We were in between our
19 cycles.

20 THE COURT: Okay.

21 MR. TAYLOR: So we didn't do a full mailing.

22 THE COURT: Mr. Veibell, back to you.

23 When you sent out the notice of hearing in your
24 May statement, did you get any response from any customers,
25 concerned or otherwise, commenting about this matter?

1 MR. TAYLOR: This is May.

2 MR. VEIBELL: Yes. Especially Scott Moake and--

3 THE COURT: And what did Mr. Moake say?

4 MR. TAYLOR: Well, he said, well, both he and his
5 wife are unemployed right now. And he's a--he was an engineer
6 out at Thiokol. And he got laid off, oh, two, three years ago and
7 hasn't been able to find work. And his wife went back to school,
8 and now she's finished her schooling. But she's 62 years old,
9 and she's having a hard time finding a job, too. Now they do
10 have their home all paid for and everything. And right now,
11 they're just working on some of the retirement that they had put
12 up, plus their Social Security.

13 THE COURT: So what was his response to the--

14 MR. VEIBELL: Well, he says--I've got this--

15 MR. TAYLOR: It's right here. It's the last two
16 pages of that. Here, it's right here. Oh, I'm sorry, it's--

17 MS. SCHMID: Could we take just a--could we have
18 just a brief moment?

19 THE COURT: Sure.

20 (Pause in the proceedings.)

21 MR. VEIBELL: Do you want me to read it to you?

22 MR. TAYLOR: Here, we can provide you with a
23 copy of these letters.

24 THE COURT: Okay. And--

25 MR. TAYLOR: They were just presented to us on

1 the 30th, which is the day before yesterday.

2 THE COURT: Okay. Do you have an extra copy for
3 the court reporter?

4 MR. TAYLOR: Yes. We can give you both of them.

5 THE COURT: Okay. Please--

6 MR. TAYLOR: May I present those?

7 THE COURT: Yes, please. And we'll have them
8 entered as an exhibit, barring any objection. And they'll be
9 marked Company Exhibit No. 1.

10 Okay. So now that I have a copy--and these are
11 entered into evidence. They'll be part of the transcript in this
12 case, which will be part of the entire record.

13 (Company Exhibit 1 was received into the record.)

14 THE COURT: So I have an e-mail from Rich Croft.

15 Mr. Veibell, would you like to read what Mr. Croft
16 has said in response to the notice that you gave him?

17 MR. VEIBELL: Let's see. He says, "Hello,
18 everyone." Now, he's written an e-mail to all the ones that are
19 in the homeowners association.

20 He says, "Many of you are aware of the current rate
21 increase that Willow Creek Water Company is undergoing.
22 Since this issue will affect all of us directly, I felt like it would
23 be an appropriate use of our HOA mailing list. Here are a few
24 details that may be of value in your own research and
25 participation.

1 "First of all, here's the short story. Last year, we
2 were all paying \$38 a month for water and \$1 per thousand
3 gallons for overage. As far as I understand it, these rates were
4 not covering the company's costs.

5 "Earlier this year, the water company proposed an
6 increase to \$49 a month for water and \$1.50 per thousand
7 gallons of overage. Consequently, an interim rate increase was
8 granted by the Public Service Commission on April 1, 2013.
9 That's when we all saw our rates increase. This was only an
10 interim change, and the PSC court will still make a final ruling
11 on the actual rate increase. From what I can tell, the general
12 rate increase hearing scheduled for this Thursday, August 1, is
13 where the final decision will be made.

14 "Since the interim rate increase was granted, the
15 Commission has received additional testimony from the Division
16 of Public Utilities. From what I've been told, the Division's job
17 is to basically ensure that the State of Utah has healthy, stable
18 utility companies (water in our case) and to ensure that the
19 State's water supply is protected and sustainable. So as part of
20 this overall process, they have made an analysis of Willow
21 Creek Water Company. And based on that analysis, they have
22 submitted testimony to the Public Service Commission.

23 "I met with the analyst and engineer involved in this
24 review. They basically found that, as a water company, we were
25 seriously underfunded. And they made recommendations to the

1 PSC for rates that would stabilize the company. So there are a
2 lot of details to their recommendations. But the gist of it is that
3 they recommended that rates be raised to \$106.30 a month and
4 \$5.50 per thousand gallons for overage. As you can imagine,
5 this was a big shock to me, and I'm sure to all of you.

6 "Since that time, Alton Veibell and Steve Taylor
7 have worked with the Division to clarify some of the numbers
8 and to cut any unnecessary costs where possible. With Alton
9 and Steve's efforts, the Division of Public Utilities had added
10 additional testimony, changing the numbers of their
11 recommendation. Their new recommendation suggests a
12 monthly rate of \$71.80 a month and an overage rate of \$4.50 a
13 gallon. So that's where we stand right now.

14 "Based on the most recent testimony from the
15 Division, and assuming nothing else changes, I would guess that
16 on Thursday, the Public Service Commission will approve the
17 rate increase, based on the analysis and recommendations of
18 the Division and Willow Creek Water Company.

19 "The actual hearing starts at 9 a.m. on Thursday.
20 There is a public witness date hearing scheduled for 12 noon
21 that same day. Any of us can participate in person by phone."

22 And he says, "I copied the following from the
23 scheduling order of March 13, 2013. Individuals wishing to
24 participate in the hearing by telephone should contact the Public
25 Service Commission two days in advance by calling these phone

1 numbers. And participants attending by telephone should then
2 call the Public Service Commission at one of the numbers
3 posted above five minutes prior to the hearing to ensure
4 participation.

5 "From what I can tell, the meeting location is 160
6 East 300 South, Salt Lake City, Utah. You should probably
7 verify this. But that is the address I copied out of the
8 scheduling order."

9 MR. TAYLOR: He did that--he said, "Now the last
10 thing I would add is the URL for all these proceedings"--

11 THE COURT: Mr. Taylor, I believe--

12 Mr. Veibell, is there a reason why you're not
13 continuing to read?

14 MR. VEIBELL: What, now?

15 THE COURT: Do you just have a partial copy of
16 the e-mail?

17 MR. TAYLOR: No.

18 MR. VEIBELL: Yes. Oh, I got it.

19 MR. TAYLOR: You just need to read that right
20 there.

21 MR. VEIBELL: "Now the last thing I would add
22 is the URL for all of these proceedings.

23 If any of you have any interest in this
24 rate increase, I would highly recommend
25 you visit this URL. There will you find

1 all documents, testimonies, rulings, et
2 cetera, regarding this entire process."

3 MR. TAYLOR: Read that, too.

4 MR. VEIBELL: "I would recommend you review the
5 following from a list of documents:

6 "February 14, Application for Interim Rate Increase
7 (the initial request that stated all of this);

8 "March 13, Scheduling Order and Notices of
9 Hearings (this is where the all the hearing dates are found);

10 "April 1, Order Granting Interim Rate Increase (the
11 reason we are paying what we pay now);

12 "June 14, Direct Testimony of Mark A. Long (the
13 initial recommendations from the Division of Public Utilities);

14 "July 19, Surrebuttal Direct Testimony of Mark A.
15 Long (the Division changes after working with Alton to reduce
16 the rates).

17 "I know none of us have time for this e-mail, let
18 alone reviewing a half dozen documents or even a rate increase
19 hearing.

20 However, if we have any concerns about what is
21 happening, this is really our opportunity to educate ourselves
22 and do something about it.

23 "Hopefully, this is helpful information. I've tried to
24 keep it free of my own opinion. But, if for some crazy reason
25 any of you want that, too, just ask.

1 Let me know if I can clarify anything.

2 "If you want to respond to the group as a whole,
3 use the e-mail address at the bottom of the e-mail. Hitting reply
4 will send a response to me only.

5 "Thanks, Rich Croft."

6 THE COURT: And, Mr. Veibell, was there a
7 response to that message?

8 MR. VEIBELL: Yes.

9 THE COURT: Would you mind identifying who sent
10 that and what was stated?

11 MR. VEIBELL: Let's see. It says, "Sorry for
12 including personal"--okay, now this is Chris Fricke.

13 He said, "Sorry for including personal information,
14 but I just wanted to make sure I'm reading this correctly and to
15 provide an example of what an average household might expect.

16 "We have two household occupants on a 5/10 acre
17 lot, with a well-established lawn. After everyone gets their lawns
18 in, I would expect my usage to be about average, if not below
19 average. In the winter, I don't exceed the 12,000 gallons per
20 month. But in the summer months, I go way over. As of my last
21 bill (I believe it was for June), my monthly usage was about
22 65,000 gallons. At the current rate, that came to about \$127.
23 With the new proposed rates of \$71.80 and \$4.50 per gallon
24 overage, that would make my bill \$305.80 for June."

25 And it says, "Since some of you don't have lawns

1 in, I thought this might help put things into perspective. I know I
2 would have liked to see this before putting my yard in.

3 "Please correct me if anyone can see any errors
4 above."

5 He says, "Thanks, Chris Fricke."

6 Now he has --

7 THE COURT: Okay. And just for clarification, Mr.
8 Veibell. So he does have a little section below the last
9 paragraph that you read, and he outlines usage, overage,
10 overage costs--

11 MR. VEIBELL: Oh, yes. Uh-huh.

12 THE COURT: --monthly rate, and then his total
13 bill?

14 MR. VEIBELL: Uh-huh.

15 THE COURT: Now, was there any further reply to
16 that?

17 MR. VEIBELL: Let's see.

18 THE COURT: And was this a reply, or was this just
19 an additional response, a general response?

20 MR. VEIBELL: It was just a general response that
21 went out to all of the property owners in High Country Estates.

22 MR. HANKS: That was--

23 MR. TAYLOR: This was a response.

24 MR. VEIBELL: This one from Scott Moake was a
25 special one. Do you want me to read it?

1 THE COURT: Just one moment. I do want you to,
2 but just one moment, please.

3 Do you have any idea when this was
4 communicated, about what day?

5 MR. VEIBELL: On this here letter from Scott
6 Moake?

7 THE COURT: The one that's signed, "Scott and
8 Sharon Moake."

9 MR. VEIBELL: Yes. Now they handed it to my son
10 last Tuesday--yeah, it was Tuesday.

11 THE COURT: Okay. And it's addressed to the
12 Public Service Commission of Utah. Is that correct?

13 MR. VEIBELL: Yes, uh-huh.

14 THE COURT: Okay. I'm looking at the docket for
15 this particular matter. It doesn't appear that this was ever filed
16 with the Commission. But please go ahead and read it into the
17 record.

18 MR. VEIBELL: Okay. It says, "Public Service
19 Commission of Utah, Subject: Willow Creek Water Company.

20 "To Whom it May Concern: We purchased a
21 ten-acre lot from Mr. Veibell in 1993. My sales agreement with
22 Mr. Veibell stated that for \$2000, we could connect to his
23 existing water system and would be guaranteed 9/10 of an acre
24 foot of water annually. We also agreed that we would pay for
25 our share of the pumping cost, which at that time was \$15 a

1 month.

2 "Since that time, Mr. Veibell has been developing
3 the rest of his farm. We have always believed, and still believe,
4 that the expansion of and the additional cost resulting from the
5 expansion of the water company should be paid for by those
6 that are benefiting from it. This has been a source of
7 contention with us because we feel that the current rate of \$49
8 per month exceeds the cost of delivering the amount of water
9 that we are using.

10 "We are both currently unemployed and over the
11 past few years have had to let our lawn burn up in fear that we
12 might use over 10,000 gallons in a month and would have to pay
13 an overage charge. This, to us, at least violates the spirit of
14 our agreement with Mr. Veibell, if not the legal right
15 guaranteeing us 9/10 of an acre foot annually.

16 "We strongly urge you to reduce the monthly rate
17 and eliminate the overage charge until we have reached the
18 annual amount specified in our sales contract. Any additional
19 amount of money needed to expand or run the water company
20 should come from those benefiting from the water company
21 expansion. This money should be attained by allowing Mr.
22 Veibell to raise connection fees and/or increase the price of his
23 lots. Note that I paid \$2000 in 1994 to connect to Mr. Veibell's
24 water system. Average inflation would now make that equal to
25 \$4000 to \$5000 in today's dollars.

1 "We do not know what others on the water system
2 have paid nor have agreed to when they purchased their
3 property, but we have a ten-acre lot and do not think it
4 unreasonable to have a different contracted amount than
5 someone who has purchased a three-quarter acre lot.

6 "Please understand that we are willing to conserve
7 water when needed and expect to pay our fair share. But we
8 resent being told to pay for things that are directly benefiting
9 others. And, in fact, we are not in a position to do so."

10 It says, "Thank you for your consideration, Scott
11 Moake and Sharon Moake."

12 THE COURT: Thank you, Mr. Veibell. And there
13 appears to be one additional communication from--

14 MR. VEIBELL: And then he wrote one other letter.

15 THE COURT: And was this--this was, again,
16 separate from the e-mail communications. And was this
17 delivered to you, or there's--

18 MR. VEIBELL: No, this one I just read was
19 delivered to the--

20 THE COURT: No, the one--the last one.

21 MR. VEIBELL: Oh this last one?

22 THE COURT: It says, "Dear Mr. Long."

23 MR. VEIBELL: It was delivered at the same time to
24 me.

25 THE COURT: To you?

1 MR. VEIBELL: Uh-huh.

2 THE COURT: And who's Mr. Long?

3 MR. VEIBELL: Right here, Mark Long.

4 THE COURT: Oh, Mark Long. Okay. I'm sorry. I
5 thought it was somebody in your company.

6 MR. LONG: They were both delivered to me, as
7 well, on Tuesday.

8 THE COURT: Okay.

9 MR. TAYLOR: Oh, did you get them?

10 MR. LONG: Yes.

11 THE COURT: Okay. Okay. Thank you very much.
12 Mr. Veibell, would you please read this into the
13 record.

14 MR. VEIBELL: Reading it, it says, "Dear Mr. Long,
15 I just read your testimony of June 14, 2013. You referred to
16 accepting money from a donor as a slippery slope.

17 Let me assure you that the developer (Mr. Veibell)
18 is not a donor. The complete reason for the expansion of the
19 water company and the cost resulting from that expansion are
20 for him to develop his property and make money.

21 "I am glad that Mr. Veibell feels an obligation to
22 pay for the infrastructure and make the water company solvent,
23 as well he should. It is allowing him to sell his farm property as
24 housing lots and make a profit.

25 The developer should be the one paying for this by

1 passing on the cost in the price of the lots or the connection
2 fees.

3 "I am having a hard time understanding why you
4 think that I should pay higher rates so that Mr. Veibell can sell
5 his property and make a profit.

6 "Thank you for listening to my concerns, Scott
7 Moake."

8 THE COURT: Okay. Thank you, Mr. Veibell.

9 Are you aware of any other written comments or
10 concerns that have been raised with respect to the request, the
11 rate request?

12 MR. VEIBELL: Let's see. There was one other one
13 from Natalie Erickson.

14 MR. TAYLOR: Yeah, that's right. We just had it.
15 Where did it go?

16 Carla Randall, that's a response.

17 MR. VEIBELL: One from Carla Randall.

18 MR. TAYLOR: Correct.

19 MR. VEIBELL: No. This is a reply from that--

20 MR. TAYLOR: From the Rich Croft letter.

21 MR. VEIBELL: It says, "Thank you, Chris and
22 Natalie, for responding"--

23 THE COURT: Mr. Veibell, I'm sorry to interrupt
24 you. But could you identify who the author is of this
25 communication?

1 MR. VEIBELL: What was that again?

2 THE COURT: Could you identify the author of the
3 communication?

4 MR. VEIBELL: Oh, this is Carla Randall.

5 THE COURT: Carl Randall?

6 MR. TAYLOR: Carla.

7 MR. VEIBELL: Carla.

8 THE COURT: Carla. Carla Randall. Thank you.

9 MR. VEIBELL: This says, "Thank you, Chris and
10 Natalie, for responding. Many, many thanks to Rich for your
11 efforts in gathering this information.

12 "I, too, am very concerned with these cost
13 increases being so dramatic so quickly. I'm looking to put in my
14 lawn in in another month, but with these rates, it may not
15 happen. I wish I had suggestions or alternate ideas about how
16 to address the costs, but I don't.

17 "I do know that if the rate increase goes through,
18 which it sounds like is unavoidable, these costs are much higher
19 than what I was paying in Logan.

20 "Previous to that, I was on my own well, and the
21 electricity to run the well to water my one acre of lawn was
22 significantly less than the proposed water costs.

23 "Any ideas about how to defray the costs? It
24 sounds like the overage rates are what are the big concern.
25 Carla Randall."

1 MR. TAYLOR: And there was one before that.
2 Where's Natalie's?

3 MR. VEIBELL: We got one here from Natalie
4 Erickson here somewhere. Oh, here's Natalie Erickson right
5 here.

6 MR. TAYLOR: And then Rich responded again.

7 MR. VEIBELL: Oh, and then Rich Croft responded
8 again.

9 And it says, "Here is a link to the State water plan
10 for the Bear River Basin.

11 On page 38, you will find the table of water prices
12 for Logan and Tremonton and a dozen other cities in our area.
13 The data is from 2004. But based on what I've been able to
14 research, the prices have gone up some, but not too much. It's
15 a good reference when looking at our \$71 and \$4.50 price tag.

16 "The whole section entitled 'Incentive Pricing' give
17 a lot of insight into the State's motives for pricing."

18 And that's from Rich Croft.

19 And then this one's from Natalie Erickson.

20 "Thank you, Chris, for letting us know. Nate and I
21 have been concerned about what we might be paying/using next
22 year after our lawn is established. To these--to those still
23 needing to put in yards, our bill this month changed to 84,000
24 gallons over. At the proposed rates, this would cost us \$449.80.
25 It takes a lot of water to put in a yard. We're still trying to

1 downgrade how much water our new lawn uses, but I don't think
2 we'll be able to drop it that much.

3 "I hope that those attending the meeting are able to
4 find an alternate to raising prices this much. Regards, Natalie
5 Erickson."

6 THE COURT: Thank you, Mr. Veibell. Does that
7 conclude the input that you received?

8 MR. VEIBELL: That concludes the input we
9 received, uh-huh.

10 THE COURT: Okay. Thank you for reading that
11 into the record--that's very helpful--and for providing the exhibit
12 that you did.

13 Are there any further comments that you wish to
14 add with respect to your pending application?

15 MR. VEIBELL: The only concern I have is that
16 when we give them a water right, we give them 9/10 of an acre.
17 And some of them have over an acre of ground. And there's a
18 couple of them, instead of planting just a quarter acre of lawn,
19 they planted a half acre of lawn. And they figured that because
20 they have a larger lot, they should be able to have more water.
21 But still, they've got that 9/10th of an acre foot. And they just
22 can't understand that in order to--why they should have to pay
23 so much extra because they have that larger lawn.

24 THE COURT: I understand. Mr. Veibell, that
25 background is helpful. And the Division, of course--excuse me,

1 the Commission wouldn't be addressing the specific water rights
2 or the specific usage, per se.

3 But one thing that you might want to consider--and
4 you would need to consult legal counsel about this--is drafting
5 into your homeowner CC&Rs some clarification that property
6 owners are limited to a certain size lawn area. That might help
7 you resolve your problem. But again, that's outside the scope of
8 this hearing.

9 MR. HANKS: Draft that into what?

10 MR. TAYLOR: The CC&Rs. I think that's an
11 excellent suggestion.

12 THE COURT: So you'll need to talk to an attorney
13 about that.

14 MR. VEIBELL: Okay.

15 THE COURT: That might help you, just as a side
16 comment.

17 Before I turn to the Division--and thank you for
18 being so patient and helpful and providing background, et
19 cetera--I do wish to ask you, Mr. Veibell, do you agree with the
20 Division's final recommended rates as proposed in Mr. Long's
21 surrebuttal testimony and as located on page 12 of that
22 testimony?

23 MR. VEIBELL: Nope. No. I agree that, you know,
24 we had to raise it in order to make the water company solvent.
25 But my only concern is the people that--well, like one person,

1 they just barely put in their lawn. And they've got over an acre
2 of ground. And they planted--well, they're right next to the
3 creek. And they planted lawn in front, both sides, and then clear
4 back to the creek, which is almost the whole acre. And they put
5 it in sod. And I haven't heard any comments from them. But
6 they really haven't got a bill for what it's going to cost until--they
7 will this here coming month. And it's really going to be high,
8 because in order to keep that green, they had to use an awful
9 lot of water. And we will find out--I think he'll be reading that
10 meter this Friday--or tomorrow. And it's going to be enormous.

11 But my concern is, you know, all of them. You
12 know, we give them a copy of how much--they have 9/10 of an
13 acre foot of water. But yet, they're going ahead and planting all
14 that extra lawn.

15 THE COURT: Mr. Veibell, thank you for expressing
16 that. And I understand your empathy for those individuals who
17 may be affected more so than others by an increase if the
18 Commission chooses to approve it.

19 My question was this: And as the owner, or part
20 owner--as the applicant in this case, do you agree with the
21 Division's recommended rates as proposed in Mr. Long's
22 surrebuttal testimony and as located on page 12 of that
23 testimony?

24 MR. VEIBELL: Yes. I agree to it.

25 THE COURT: Okay. Thank you, sir. And do you

1 believe that these rates are just and reasonable and in the
2 public interest?

3 MR. VEIBELL: Well, in going through this here on
4 the rates that Mark Long sent to us in e-mail, we're a little bit
5 lower than some of the others that have the same amount of
6 people in their thing. So I think we're just right in line.

7 Now, it shows some of the towns where they've got
8 2000, 3000 people in it. Well, then, theirs is low. And I can
9 understand why it is low.

10 THE COURT: So back to my question, sir, just to
11 make sure I have a clear response on the record.

12 Is it your testimony that the rates proposed and as
13 recommended by the Division in Mr. Long's surrebuttal
14 testimony that we've been discussing today and as further
15 indicated on page 12 of his surrebuttal testimony, do you
16 believe that those rates are just, reasonable, and in the public
17 interest?

18 MR. VEIBELL: Yes, uh-huh.

19 THE COURT: Thank you, Mr. Veibell.

20 Mr. Taylor, in as much as you've been the
21 spokesperson, essentially, for this application, I'm going to ask
22 you the same question.

23 And just to repeat: Do you agree with the
24 Division's recommended rates that are in Mr. Long's surrebuttal
25 testimony on page 12 of that testimony?

1 MR. TAYLOR: Yes, I do.

2 THE COURT: And do you believe that the rates
3 proposed as the recommended rates, do you believe that those
4 are just, reasonable, and in the public interest?

5 MR. TAYLOR: I say yes. Can I answer one side
6 note with that?

7 I think as we sell those lots up there and we say
8 293,000 gallons, that appears to be a lake to somebody, but it's
9 only 24,000 gallons a month. And as you can tell by the letters
10 that have been read in, many folks watering their lawns are
11 using 84,000 gallons a month to water their lawns. They're
12 exceeding what their right to use is. And they don't truly--
13 they're not educated. And we're not a sophisticated water
14 company that we've truly educated, I guess, appropriately. So--

15 THE COURT: Okay.

16 MR. TAYLOR: --but I do agree.

17 THE COURT: Okay. So your side note aside, you
18 do agree that the rates are just, reasonable, and in the public
19 interest?

20 MR. TAYLOR: Yes.

21 THE COURT: Thank you.

22 Mr. Hanks, I believe you had something you wanted
23 to add earlier. And I was--

24 MR. HANKS: My question was I had three
25 individuals contact me in response to this. Is that pertinent,

1 being just a vocal communication?

2 THE COURT: Sure. Sure. Oral--

3 MR. HANKS: I had--

4 THE COURT: --communication would be fine.

5 MR. HANKS: With that, Natalie Erickson talked to
6 me and just expressed concern, you know, that the rates were
7 going up. And she has written a letter.

8 Another one was Travis Green, who has the one
9 commercial hookup and uses a fair amount of water. He, I
10 believe, intends to be at the meeting he told me later on. But
11 he expressed concern with the dramatic jump in the increase.

12 And the other one was the Kirk and Marci Holden.
13 They're the ones that have put in all this lawn. They are
14 actually out of town in Canada for his job for a period of time
15 still. I have read the meter twice for them this month, and their
16 usage is way up over, probably close to 200-, 250,000 at this
17 point. So that's just my comment on that.

18 THE COURT: Okay. Thank you. Mr. Hanks, are
19 you an employee of the water company?

20 MR. HANKS: My contract, as stated in the
21 documents, is that for the first couple of years, they are just
22 paying my expenses to be trained as an operator and to
23 understand the program. After that, that will have to be
24 negotiated. So no, I'm not technically an employee.

25 THE COURT: Do you serve on the board?

1 MR. HANKS: No.

2 THE COURT: Do you have an ownership in the
3 company?

4 MR. HANKS: No.

5 THE COURT: Okay. Very good.

6 Is there anything else before we turn to the Division
7 today?

8 MR. VEIBELL: I don't believe so.

9 THE COURT: Would there be any objection if we
10 take a five-minute recess?

11 MS. SCHMID: Could we possibly extend that to 15?

12 THE COURT: That would be just fine.

13 MR. TAYLOR: I just have to get down and change
14 my car.

15 THE COURT: Okay. This would be a good time to
16 do that. Let's go off the record, and we'll reconvene in 15
17 minutes.

18 (A break was taken from 10:39 a.m. to 10:54 a.m.)

19 THE COURT: All right. We're back on the record.
20 Ms. Schmid, please.

21 MR. TAYLOR: Thank you. The Division would like
22 to call as its witness Mr. Mark A. Long. Could he please be
23 sworn?

24 THE COURT: Yes. Mr. Long, thank you. You have
25 your right hand raised. Thank you.

1 And do you swear that the testimony you are about
2 to give today is the truth?

3 MR. LONG: Yes, I do.

4 THE COURT: Thank you very much. Please
5 proceed, Ms. Schmid.

6 MARK A. LONG, having been first duly sworn, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY-MS.SCHMID:

10 Q. Mr. Long, could you please state by whom you are
11 employed and in what capacity?

12 A. Yes. The Division of Public Utilities as a utility
13 analyst.

14 Q. Your business address, please?

15 A. 60 East 300 South, Salt Lake City, Utah, 84114, in
16 the Heber Wells Building.

17 Q. Have you participated in this docket on behalf of
18 the Division?

19 A. Yes, I have.

20 Q. Did you prepare and cause to be filed your direct
21 testimony filed June 14, 2013, marked as DPU Exhibit 1.0 with
22 its corresponding exhibits?

23 A. Yes, I did.

24 Q. Do you have any changes or corrections to that?

25 A. No, not that haven't been made in the surrebuttal

1 testimony.

2 Q. Thank you.

3 MS. SCHMID: With that, the Division would like to
4 move for the admission of Mr. Long's direct testimony as
5 previously described.

6 THE COURT: Your request is granted.

7 (DPU Exhibit 1.0 was received into the record.)

8 MS. SCHMID: Thank you.

9 BY MS. SCHMID:

10 Q. Mr. Long, did you also prepare and cause to be
11 filed your rebuttal testimony marked for identification as DPU
12 Exhibit 1.0-SR?

13 A. Actually it was rebuttal but titled "surrebuttal."

14 Q. And that was because of--it was titled "surrebuttal"
15 because of the nomenclature used in the scheduling order. Is
16 that correct?

17 A. That's correct, to avoid confusing some of the
18 parties that would be receiving this.

19 Q. Do you have a correction to the date on the first
20 page of that surrebuttal testimony?

21 A. Yes, I do. On the cover page, it reads, "July 17,
22 2013." It really should read, "July 19, 2013."

23 Q. With that, do you have any other changes or
24 corrections?

25 A. No, I don't.

1 MS. SCHMID: Accordingly, the Division requests
2 that Mr. Long's surrebuttal testimony, DPU Exhibit 1.0-SR and
3 its accompanying exhibits be admitted into evidence.

4 THE COURT: Thank you, Ms. Schmid. They are
5 admitted.

6 (DPU Exhibit 1.0-SR was received into the record.)

7 MS. SCHMID: Thank you.

8 BY MS. SCHMID:

9 Q. Mr. Long, do you have a summary to present
10 today?

11 A. Yes, I do.

12 Q. Please proceed.

13 A. I'd like to read this brief summary that hopefully will
14 tie a lot of the things together, and also, I believe, respond to
15 some of the customers' concerns as well.

16 To begin, Willow Creek Water Company was
17 incorporated under the laws of the State of Utah as a nonprofit
18 water company on March 2, 1998. As such, Willow Creek
19 Company is a privately-owned, Commission-regulated public
20 utility that provides culinary water to its customers within the
21 High Country Estates and Spring Ridge subdivisions, located in
22 Box Elder County, Utah.

23 On July 2, 2009, Willow Creek was granted a
24 Certificate of Public Convenience and Necessity by the Utah
25 Public Service Commission.

1 At this time, the Division would like to acknowledge
2 Mr. Alton Veibell's and Steven Taylor's hard work and
3 cooperation and willingness to provide information timely during
4 the Division's investigation. The Division also commends Willow
5 Creek's efforts in limiting and reducing its expenses to keep
6 rates as low as possible.

7 Willow Creek's water system was built and paid for
8 completely by its developer, Mr. Veibell. This includes all the
9 pipes, meters, storage tanks, pumps, and everything else
10 associated with the water company. Mr. Veibell then
11 contributed 100 percent of the assets to Willow Creek Water
12 Company. The only exception to this is the recent inclusion in
13 rates of an interest-free loan from the State of Utah for an
14 additional well required to meet the Division of Drinking Water's
15 standards in regards to lower arsenic levels recently mandated
16 by the EPA. This well is used to provide safe and compliant
17 culinary water for its present customers.

18 As the customer base has grown and the
19 infrastructure has expanded, Mr. Veibell, or other developers,
20 have paid 100 percent of the costs associated with the
21 expansion and donated these to the water company as well.
22 This is typical for developer-owned water companies. And it is
23 expected that the developer will pay for the infrastructure as
24 well as any expansion. And it is presumed that the value of the
25 original utility plant and assets will be recovered in their sale of

1 lots.

2 With the entirety of the water system being
3 donated, this leaves only the daily operating expenses and
4 capital reserves to be paid for by the rates and fees of its
5 customers. The rates were originally approved in 2009 by the
6 Commission at \$38 per month, with no standby fees, and \$1.00
7 per thousand gallons if used more than 293,274 gallons per
8 year.

9 And it might be easier if you referred also to the
10 chart that the water company was using, which is page 12 of the
11 surrebuttal testimony.

12 Unfortunately, these initial rates were not adequate
13 to cover the daily operating expenses. Subsequently, Mr. Veibell
14 has been personally paying the difference for the past four
15 years or so. If the Company had employed full-cost funding
16 since its inception, the customers would have been paying much
17 higher rates, similar to those recommended in this rate case.
18 Because Mr. Veibell has been subsidizing the Company to the
19 extent and length of time that he has, customers have enjoyed
20 artificially low rates for many years now.

21 There came a point that to maintain the financial
22 integrity, establish a reserve account, and maintain continued
23 quality and adequate levels of service, Alton finally relented,
24 and Willow Creek requested a rate and interim rate increase and
25 provided prima facie evidence in support of their interim rate

1 increase.

2 The interim rates were recommended by the
3 Division and granted by the Commission on April 1, 2013. And I
4 brought those to the second column there, which is \$49 per
5 month for connecting customers, \$24.40 for standby, and \$1.50
6 per thousand gallons once the usage exceeded 12,000 for any
7 given month.

8 In formulating its recommendation for the final
9 rates and fees to replace the temporary interim rates, the
10 Division completed an extensive review of the books and
11 records of Willow Creek. Mr. Veibell and Mr. Taylor and the
12 Division spent many hours over the course of this rate case to
13 come up with rates that best serve the public interest.
14 Oftentimes, in my conversations with these customers,
15 customers think that it is in the public interest to have rates be
16 as low as possible, regardless of the consequences of not fully
17 funding the water company, such as disrepair, poor customer
18 service, potentially unsafe drinking water, and ultimately the
19 closure of the water company.

20 The Division's recommendation is based on keeping
21 the rates as low as possible while maintaining the financial
22 integrity and protecting the long-range interests of the
23 customers in obtaining continued quality and adequate levels of
24 service.

25 Additionally, throughout this rate case process, Mr.

1 Veibell offered to subsidize the water company by donating
2 \$5000 to Willow Creek every time he sold a lot in order to keep
3 the rates the same as the interim rates. The Division, in good
4 conscience, could not recommend setting rates based on the
5 assumption that lots may be sold and that the donor or the
6 donor's successor will always be willing or in a position to
7 voluntarily contribute proceeds to the Company as being in the
8 public interest.

9 The Division's direct testimony of June 14, 20---
10 probably not right, is it? Direct testimony, was that the 19th?

11 Q. It's the 14th.

12 A. Okay. I'm sorry. I'll believe what I wrote.

13 --June 14, 2013, included a recommendation for
14 \$106 per month for connecting customers, \$51.30 for standby
15 customers--and this is in the third column--and \$5.50 per
16 thousand gallons once usage exceeded 12,000 for any given
17 month. This recommendation was based on 38 customers
18 consisting of 33 connected customers and five standby
19 customers.

20 Even after the Division's recommendation, Mr.
21 Veibell contacted the Division several times more, stubbornly
22 insisting that he subsidize the water company by donating \$5000
23 each time a lot is sold, even if that meant him going without,
24 since he is on a fixed income, in order to keep the rates as low
25 as possible for the customers.

1 Ultimately, the Division met with Mr. Veibell and Mr.
2 Taylor to see if there was anything that could be done to lower
3 the rates. Upon further review and analysis, it was determined
4 that some of the original expense amounts were higher than
5 necessary and they were reduced. Additionally, Mr. Taylor
6 indicated that since this rate case was filed by Willow Creek,
7 there have been several lot sales with several more lot sales in
8 various stages of completion.

9 Willow Creek has determined that, conservatively,
10 within the next 12 to 18 months it will be 48 or more total
11 customers. In order to keep Willow Creek's rates as affordable
12 as possible, Willow Creek has proposed basing the rates on 48
13 total customers consisting of 43 connected and five standby
14 instead of the original 38, which was 33 connected and five
15 standby.

16 The Division is also concerned about the
17 affordability and the customer impact on the magnitude of the
18 increase in rates and its original recommendation of June 14,
19 and is now recommending that the water rates for Willow Creek-
20 -setting the water rates for Willow Creek using the 48 customers
21 under the condition that the developers agree to pay the
22 standby fees based on the difference between the actual
23 number of paying customers and the 48 customers used in the
24 rate calculation. The Division believes that the developers
25 should be allowed to subsidize the water company to this extent

1 because it is for a set amount, based on the number of
2 customers less than 48. And it is for an anticipated short period
3 of time.

4 Willow Creek and some its customers also wanted
5 to reduce the amount of funds recommended by the Division to
6 be set aside in a capital reserve account in order to lower the
7 rates even further. The Division believes that reserves are a
8 necessary part of a sound financial management plan for an
9 ongoing and effective system. Setting aside reserves is critical
10 to developing and maintaining financial stability and can mean
11 the difference between a system that is self-sustaining and one
12 that may fall victim to disrepair or become financially unstable,
13 even during a relatively small emergency.

14 Capital reserves are funded through rates, paid
15 equally by all connected and standby customers and should be
16 maintained in a protected account and allowed to accumulate or
17 used for capital replacement, improvement, and major
18 restorations, as the need arises.

19 Since capital reserves are based on the historical
20 replacement costs for an aging infrastructure, they will likely not
21 cover all future capital asset repair and replacement, but will go
22 a long way in maintaining Willow Creek's financial integrity in
23 the years to come. Willow Creek's recommended tariff, pages
24 T7 and T8, lists the proper uses, required audit trail, and
25 necessary disclosures of its capital reserve account.

1 With these adjustments mentioned in the
2 surrebuttal testimony, the final recommended rates and fees
3 found on page 12, Line 160 of the surrebuttal testimony are
4 recommended by the Division.

5 The Division believes that these--that its
6 recommended rates are just and reasonable and consistent with
7 the public interest. And therefore, the Division recommends the
8 Commission to approve these rates and fees, as well as Tariff
9 No. 2, which contains the new rates and fees.

10 Q. Mr. Long, were you present when the applicant
11 made reference to a chart or table addressing gallons of water
12 usage by other companies?

13 A. Yes.

14 Q. Is this something that you prepared or caused to be
15 prepared?

16 A. Yes.

17 Q. Could you please describe what this reference
18 chart is?

19 A. Yes. In response to some of the customers talking
20 about is this just and reasonable and how much the water rates
21 are for different companies, it caused me to go through and take
22 a look at companies, either in the near geographical area, or
23 with similar number of customers. And in doing that, I was able
24 to pull up several companies that are regulated by the Public
25 Service Commission, as well as some that are in a special

1 service district or a municipality. And I think this really hit home
2 on what's going on here.

3 If you were to notice the first entry, Willow Creek
4 has 48 customers with a 12,000-
5 gallon minimum and \$71.80 for the base rate.

6 If you look down at the other companies that have a
7 smaller number of customers, you'll note--such as Hidden
8 Creek, which is the fifth item here, you'll note that they have 49
9 customers. Their base rate is set at 12,000 gallons. And to
10 cover their fixed costs, it's \$85 for the minimum base amount,
11 which is similar and although a little bit higher, even, than
12 Willow Creek.

13 It also did Pineview West; Wolf Creek, which used
14 to be a Commission-regulated water company, but is now a
15 special service district. And you'll notice it's similar, but it has
16 560 customers in which to share the fixed expenses, which
17 would explain its low base rate of \$28 versus Willow Creek's at
18 \$71.80.

19 I also wanted to include some of the cities as well
20 as another regulating company by the Division, Cedar Ridge.
21 Cedar Ridge, although it only has 31 customers, buys all of its
22 water from Tremonton City, which also allows it to have--to not
23 necessarily have to use a minimum amount of gallons per month
24 because they're buying all the water that's already--that's priced
25 in their contract. And if you'll notice, Tremonton City and City of

1 Logan have 2300 customers and 10,105 customers respectively.

2 But I just wanted to get an idea and mainly share
3 this with the Commission as well as the customers that, really,
4 Willow Creek is right in line with other similar-situated
5 companies.

6 Q. Is it your testimony that this chart supports your
7 conclusion that the final rates recommended by the Division for
8 Willow Creek are just, reasonable, and in the public interest?

9 A. Well, I believe that they're just, reasonable, and in
10 the public interest, based on the expenses that needed to be
11 covered. But I think this helps support that as well.

12 Q. Thank you.

13 MS. SCHMID: The Division would like to request
14 that the chart, having been just discussed, be marked as DPU
15 Hearing Exhibit No. 1, and that it be entered into the record.

16 THE COURT: Thank you, Ms. Schmid. It is so
17 entered.

18 (Previously filed DPU Exhibit 1 was received into the record.)

19 BY MS. SCHMID:

20 Q. Mr. Long, also were you present when the Company
21 testified and read into the record e-mails and letters from
22 customers pertaining to the rate increase?

23 A. Yes, I was.

24 Q. Did you receive an e-mail from a Ms. Sharon
25 Moake?

1 A. Yes, I did.

2 Q. And did you respond to that e-mail?

3 A. Yes.

4 Q. The Division would like to mark the document
5 containing both the e-mail from Ms. Moake and the response
6 from Mr. Long as DPU Hearing Exhibit 2 and request that that
7 be entered into the record.

8 And, for clarification, the document is a
9 double-sided document. And the first side of the document
10 refers--is your response to Ms. Moake. And the second side of
11 the document contains the remainder of your response and
12 then, also, the e-mail from Ms. Moake to you. Is that correct?

13 A. That's correct.

14 Q. So the Division requests these be entered into
15 evidence as DPU Exhibit No. 2.

16 THE COURT: Thank you, Ms. Schmid. I haven't
17 had a chance to review this. Would it be helpful to have it read
18 into the record, or do you wish not to do that?

19 MS. SCHMID: I think that the e-mail to Mr. Long is
20 substantially similar to what has been read into the record
21 before, if not identical, by the Company. But I think it would be
22 helpful to have the Division's response read into the record,
23 please.

24 THE COURT: Okay. Why don't you do that. And
25 then I'll rule on the admissibility--or having it part of the record.

1 MR. TAYLOR: Thank you. This is from Mr. Mark
2 Long.

3 "Dr. Mr. and Mrs. Moake, thank you for your
4 correspondence regarding Willow Creek Water Company and its
5 recommended rate increase. You bring up some very good
6 questions.

7 "As a developer, Mr. Veibell should and did
8 contribute the initial infrastructure for the water company. Mr.
9 Veibell is also financially responsible for any additional
10 infrastructure required for the expansion of the water company
11 or service area. I can assure you that none of the expenses in
12 the recommended rates include any costs of expansion. The
13 recommended rate increase is to cover operating expenses and
14 build a capital reserve account for emergencies.

15 "In the past, Mr. Veibell has personally paid any
16 shortfalls needed to cover the operating expenses and covered
17 repairs and other emergencies. Because Mr. Veibell will not be
18 around forever and may not always have the means to subsidize
19 the water company, the Division is recommending rates that will
20 make Willow Creek financially sound now and in the future.

21 "With that said, the Division's recommendation still
22 has Mr. Veibell subsidizing the water company until it reaches
23 48 customers. The Division carefully scrutinized the expenses
24 and basically divided them by the number of customers using
25 the system. The Division also recommended an overage rate to

1 encourage conservation and to ensure that those who use the
2 water pay for it.

3 "Depending on your purchase contract, Willow
4 Creek is still committed to providing the amount of water
5 promised, although at rates set by the Utah Public Service
6 Commission.

7 "I encourage you to participate in the hearing
8 process this coming Thursday. The public witness portion of the
9 hearing is at noon. The hearing will be held at the Fourth Floor
10 Hearing Room 451, Heber M. Wells Building, 160 East 300
11 South, Salt Lake City, Utah.

12 "If you wish to participate in the hearing by
13 telephone, you should contact the Public Service Commission
14 two days in advance by calling (801) 530-6716 or toll free,
15 1(800)--sorry, 1(866) PSC-UTAH, which is one 1 (866)
16 772-8824. Participants attending by telephone should then call
17 the Public Service Commission at (801) 530-6716 or toll free
18 1(800)"--sorry, I did it again"--"toll free 1(866) PSC-UTAH, 1
19 (866) 772-8824, five minutes prior to the hearing to ensure
20 participation. Sincerely, Mark Long."

21 THE COURT: Thank you, Ms. Schmid. I was
22 anticipating that Mr. Long was going to read this into the record
23 since he's actually the witness.

24 But let me just ask Mr. Long: Does this represent
25 your e-mail in response to Mr. and Mrs. Moake?

1 MR. LONG: Yes, it does.

2 THE COURT: Okay. Thank you.

3 And Ms. Schmid, thank you for helping us along.
4 And your request to have it admitted as an exhibit is accepted.
5 (Previously filed DPU Exhibit 2 was received into the record.)

6 MS. SCHMID: Thank you.

7 With that, the Division has no more testimony. And
8 Mr. Long is available for cross-examination questions and
9 questions from the hearing officer--

10 THE COURT: Okay.

11 MS. SCHMID: --the administrative law judge.

12 THE COURT: Thank you, Ms. Schmid. In as much
13 as I do have a few questions, the applicant actually has the
14 opportunity to ask questions first, if they wish to do so.

15 Mr. Veibell, do you have any questions for Mr. Long
16 concerning his testimony today?

17 MR. VEIBELL: I don't believe so. I think he's
18 covered it pretty well.

19 THE COURT: Okay. Thank you. All right. I take it
20 that's a "no" from the whole table?

21 MR. TAYLOR: Yes.

22 THE COURT: Thank you. All right.

23 CROSS-EXAMINATION

24 BY-THE COURT:

25 Q. Mr. Long, thank you very much. Your background

1 and your statement was extremely helpful and informative. Very
2 much appreciate that. And I know the Commission will find that
3 very helpful.

4 So just a few things that I wanted to cover with you.
5 You had mentioned, I believe, that the adjustments--and I'm
6 trying to read my own writing, which can be a little difficult at
7 times. I believe you had mentioned that the adjustments that
8 were made in the final recommendation came about as a result
9 of higher expense amounts that may have been previously
10 subsidized but wouldn't be subsidized on an ongoing basis?

11 A. I believe what I was referring to is my surrebuttal. I
12 have an amended exhibit. Probably the easiest way to see it is
13 it's on page 16. Mine is color-coded. Is it yours as well?

14 Q. Mine is, although page 16 is not something that I'm
15 tracking. Your testimony ends on page 13, and then there's a
16 Certificate of Service. And then there's a--okay. So would it be
17 page 16 of the exhibits that are attached?

18 A. Oh, yes.

19 Q. Okay.

20 A. I'm sorry. Yes.

21 Q. Okay. Great. So help me understand what you
22 were getting at.

23 A. These amounts that are circled and written in
24 orange are amounts that, in going through the expenses after
25 the direct testimony was filed, that needed to be changed. And

1 some of them are for reasons, for example, the--why am I not
2 seeing it? The propane. It was for a system that was never
3 installed; and so therefore, the entire amount of the propane
4 cost was deleted from the schedule.

5 And if you were to also refer to--this might be
6 easier now that I see it. It's on page 5 of the surrebuttal
7 exhibits. It goes through and it lists those same amounts. But
8 then in the footnote references next to it that are also in orange,
9 it explains each individual adjustment that was made, which is
10 found on page 7. So, for example, it talks about the propane on
11 B2, which eliminates all propane usage expense to reflect the
12 fact that the propane system was never installed.

13 And so I've tried to go through each adjustment
14 made and reference that with a footnote and then put a detailed
15 explanation. I'd be glad to go through each of those or ...

16 Q. Thank you, Mr. Long. I can see and refer back.

17 A. Okay.

18 Q. So thank you very much for clarifying that.

19 One other thing that you mentioned in your
20 statement was that the Division's recommendation had a
21 condition attached to it. And that condition was related to the
22 Company paying the standby fees. Could you reiterate that
23 again? I want to make sure that I completely understand that.
24 And to the extent necessary, I want to make sure that the
25 Company understands that, and that, to the extent we haven't

1 already covered it on the record, I want to make sure that we
2 get an assent to that.

3 A. Would you like me to just re-read that part?

4 Q. I think that would be very helpful. Thank you.

5 A. Okay.

6 Q. And if you could, just help me cross reference in
7 your surrebuttal testimony. I know that you addressed this.
8 And is there a page that sort of parallels what you stated
9 earlier?

10 A. There is. And if you were to look at the surrebuttal
11 exhibits on page 18, I show where the amounts that are circled
12 and crossed out represent the amounts that were changed. And
13 they're circled in orange as well.

14 Q. Right.

15 A. And then those actually flow forward to, I believe
16 it's Exhibit 2. That includes the new amounts. And that--this
17 whole analysis is formula driven. So as the 48 and the 43 were
18 placed in here, it caused all the rates to be adjusted as well.

19 And maybe the best place to explain that is
20 referring back to the exhibit page 12 of the surrebuttal testimony
21 itself. And maybe I could just explain a few things on there that
22 would maybe clarify.

23 Q. Okay. Please do.

24 A. When you were initially talking to the Company
25 about the \$39.85 and the fixed costs, those fixed costs--or the

1 standby fee, represent the fixed costs divided by 48 customers,
2 which is the new number of customers that we agreed to use.
3 Any customers less than the 48 will not be covering the fixed
4 expenses of the Company. Therefore, the developers have
5 agreed to pay any of these fixed expenses up to the 48--or the
6 standby fees up to these 48 customers, which will pay the entire
7 fixed expenses for the Company.

8 (Mr. Long and Ms. Schmid conferred.)

9 Q. Was there a clarification you wish to make, Mr.
10 Long?

11 A. No, I don't believe so.

12 Q. Before we go any further, I'm going to jump back to
13 the applicant, just make sure they're tracking all of this.

14 THE COURT: Mr. Veibell, are you able to hear Mr.
15 Long okay?

16 MR. VEIBELL: Well, pretty well.

17 THE COURT: Okay. And did you hear his
18 explanation about the fixed costs and the standby fee that's set
19 forth on page 12 of his surrebuttal?

20 MR. VEIBELL: Yes, uh-huh.

21 THE COURT: Okay. And what I want to make sure
22 is that you understood what he said, first of all; and that
23 secondly, that you agree that you will do what the Division is
24 anticipating that you'll do and they've conditioned their
25 recommendation on that, which is that, as I understand it--and

1 Mr. Long, please feel free to clarify if I get this wrong.

2 What he has explained is that there are fixed costs
3 for the Company and that the standby fee represents a fixed
4 cost. And that as part of this recommendation, the number of
5 customers that the Division and the applicant, i.e., you, have
6 agreed upon is 48 customers. So in the event that there are less
7 than 48 customers paying into the standby fee amount, the
8 Company will continue to pay that amount on a monthly basis as
9 a subsidy. Is that a correct ...?

10 MR. LONG: Yes. And there's also maybe a good
11 example of that in the surrebuttal testimony on page 7. Just to
12 put this into perspective--and it starts on Line 94--I just wanted
13 to give the maximum amount that the Company would possibly
14 have to subsidize per year. And this example assumes that
15 there's no additional lots sold--which we already know that there
16 have been, but assuming there is not--the amount of the
17 developer's subsidy for 2014 would be \$4782. And then it goes
18 through the math of that.

19 THE COURT: Thank you, Mr. Long. I see that
20 here.

21 So Mr. Veibell, what I'm looking for is for
22 clarification from you of your understanding of this part of the
23 agreement and whether or not you are willing to do what Mr.
24 Long is anticipating and is suggesting in connection with his
25 recommendation, which is that the Company, to the extent that

1 there are any less than 48 customers, that the
2 Company--excuse me, yes, the Company will subsidize the
3 standby fee rate for that number of customers that is below 48?

4 MR. VEIBELL: Yes.

5 THE COURT: Am I getting that wrong?

6 MR. LONG: I just have one clarification.

7 THE COURT: Oh, sure.

8 MR. LONG: It's really the individual developers
9 that will be supplementing this, not the Company.

10 THE COURT: Okay.

11 MR. LONG: They will be giving the money to the
12 Company to supplement the Company, but it will be by the
13 developers.

14 THE COURT: Okay. Now, Mr. Veibell is part of the
15 developers.

16 MR. LONG: Correct.

17 THE COURT: That's tricky because the developers
18 are not under our jurisdiction. So ...

19 MS. SCHMID: If I may. In the past, it has been
20 represented, on the record in this type of proceeding, by the
21 developer that the developer will pay the shortfall, and that has
22 been accepted.

23 THE COURT: Okay. Well--

24 MS. SCHMID: And Mr. Veibell is here as--

25 THE COURT: Yeah. Yeah.

1 Mr. Veibell, is there anything about this that is not
2 agreeable to you?

3 MR. VEIBELL: No, it's--Mr. Long has stated it
4 pretty well.

5 THE COURT: Okay. And you're totally tracking
6 what he's talking about?

7 MR. VEIBELL: Yes, uh-huh.

8 THE COURT: And the developers, as far as you
9 know and you being part of that, intend to act accordingly?

10 MR. VEIBELL: Yes, uh-huh.

11 THE COURT: Okay. All right. Just want to make
12 sure. Okay. Great. Thank you very much.

13 BY THE COURT:

14 Q. Mr. Long, I have one other question for you,
15 please. And I'm not sure if you are aware, but we did have an
16 interim rate case earlier this week in the Cedar Ridge matter. I
17 was just curious if your DPU Hearing Exhibit No. 1 reflects that
18 interim rate change, or if this is the rate that they were receiving
19 prior to the interim rate.

20 A. That actually is reflective of the interim rate.

21 Q. Interim rate. Okay. I wanted to make a note of
22 that. Thank you.

23 A. Which I thought was very telling if you use over
24 80,000 gallons, that Cedar Ridge people will be paying less than
25 Tremonton would. And that's where they're receiving the water

1 from.

2 Q. Okay.

3 A. I have one more clarification on this--

4 Q. Oh, sure. Sure. Please.

5 A. And it's on this page 12 as well.

6 Q. Okay.

7 A. And I think there's a little bit of confusion on the
8 connection fees.

9 Q. Okay.

10 A. Initially, the developer was voluntarily putting that
11 \$5000 into the water company. And it wasn't based on the costs
12 of connections or anything else. They were just doing that
13 basically out of the kindness of their heart. And apparently,
14 they're still going to be doing that, only it's not going into the
15 water company. It's going into the developer's account.

16 The 2000 and 4000, while they said earlier will go
17 into the water company, those amounts are set up to cover the
18 expenses only. So it will be going into the water company and
19 be coming right out to pay for the people or company that's
20 absolutely doing the connections.

21 I just wanted to make sure that was clear. And
22 hopefully I didn't muddy it even more.

23 Q. That's great. Thank you very much, Mr. Long. That
24 helps.

25 Okay. Anything further?

1 A. No. I did receive a conversation from a Travis
2 Green, who is one of the customers up there. And in fact, he's
3 the one that owns the hydroseeding company. And we were
4 talking about the different rates and although--as a business
5 owner, he was concerned because he uses a lot of water that he
6 fills his truck up with.

7 Q. He's a water customer of Willow Creek?

8 A. Yes, I'm sorry. Yes, he is.

9 Q. Okay.

10 A. He was concerned about that. But then he also
11 mentioned that he understood the need for the rate increase
12 and also the need to have something that would encourage
13 conservation. And we got visiting a little bit. He was saying
14 that there's--and he's a landscaper--that there's landscaping
15 options that people could put in. So, for example, rather than
16 having two acres of lawn, they could have a quarter acre of lawn
17 and then put, like, sheep grass or something in that doesn't
18 require water, except maybe once a month. And so there are
19 solutions to these customers here, rather than, you know, using
20 such water-heavy plantings and stuff, that there are other
21 solutions. And he's up there to possibly, you know, help them
22 with that.

23 Q. That sounds like something that maybe the water
24 company and that gentleman could maybe work out a local
25 meeting or something to inform people to help them.

1 A. And I believe he's on the rate board as well, the
2 water board as well--not the board, but the rate committee as
3 well. So I just wanted to mention that.

4 Q. That's helpful. You know, I did ask Mr. Veibell this
5 question and/or Mr. Taylor, and I think it's worthy of asking.

6 In light of water conservation concerns, is there
7 anything here, other than the \$4.50 rate for usage over--let's
8 see, this was usage over 12,000 gallons--that could be
9 perceived as being water conservation friendly?

10 A. Several of the customers have requested that we
11 increase the 12,000 per month minimum up to 18,000 in order to
12 let them water their lawns and stuff. We decided to keep it at
13 12. I don't know what size of lot some of these other companies
14 have. But these are fairly large lots.

15 I believe that the 12,000 is reasonable. I think if
16 we lowered it much more than that, there's going to be even
17 more concern from the customers that are probably going to be
18 addressing us pretty soon here.

19 And if you look at this chart that I provided, it
20 seems to be fairly consistent, not only in that area, but for the
21 smaller water companies like that. But I certainly understand
22 your concern. And I've thought a great deal about this in
23 coming up with these minimums.

24 Q. Okay. Thank you very much, Mr. Long. I don't
25 have any additional questions for you. And I very much

1 appreciate your assistance today. Very helpful. And I'm sure
2 that the Commission will appreciate it as well.

3 Our public hearing portion is going to be starting at
4 noon, and that's only about 20 minutes away. I think that for
5 purposes of this part of the hearing, I don't have any further
6 questions. I don't know if there are any concerns or questions
7 from you about where we go from here.

8 But just so you know, we'll be taking the input from
9 anyone who appears or calls in. I do understand we have a
10 number of callers who will be calling in.

11 And so I am prepared to adjourn this portion of the
12 meeting and give you an opportunity, perhaps, to visit your
13 vehicles and/or grab a bite to eat if you have time. And if you
14 wish to come back for the noon portion, which I'm assuming you
15 do, I'll look forward to seeing you then.

16 And, once again, thank you very much for all of
17 your testimony and information that you provided today. It's very
18 much appreciated and helpful. And we will be adjourned. And
19 I'll see you back at noon.

20 MR. TAYLOR: Thank you.

21 MR. VEIBELL: Thank you.

22 MS. SCHMID: Thank you.

23 (The hearing adjourned at 11:39 a.m.)

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CERTIFICATE

State of Utah)

ss.

County of Salt Lake)

I, Michelle Mallonee, a Registered Professional Reporter in and for the State of Utah, do hereby certify:

That the proceedings of said matter was reported by me in stenotype and thereafter transcribed into typewritten form;

That the same constitutes a true and correct transcription of said proceedings so taken and transcribed;

I further certify that I am not of kin or otherwise associated with any of the parties of said cause of action, and that I am not interested in the event thereof.

Michelle Mallonee, RPR, CSR